



# INDUSTRIAL PEACE



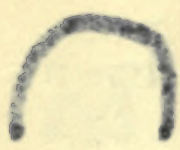
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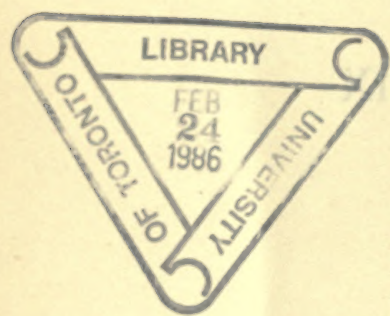
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**CORRIGENDA.**

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Page 51, 1.30 for "representations" read "representatives."









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**SEPTEMBER**

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"We must sell—or starve."

*Observer.*



# INDUSTRIAL PEACE

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"I.P." Study Scheme

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# INDUSTRIAL PEACE

## ARBITRATION.

THE reluctance of private employers and the employing departments of municipalities to submit their demands for wages reductions to arbitration has excited considerable comment, and not a little adverse criticism. It is held that during the war and the transitional period which followed the armistice, organised labour, at that time strong and aware of its strength, consented to the settlement of its claims by the Committee on Production and the Industrial Court of Arbitration which followed it. It is therefore but right (we are told) that now, when the tide has turned and the economic power of labour has been enormously reduced, the employers should agree to the determination of wage changes by a similar impartial tribunal. But an examination of the facts of the case will show that the analogy is false, and that in refusing to employ the method of arbitration employers are by no means inconsistent. It is not, indeed, too much to say that they are but pursuing the policy which organised labour itself approves.

Before the war arbitration was admitted to be an admirable method of settling certain kinds of disputes, but entirely unsuitable as a means of settling others. If the dispute referred to the interpretation or local application of an agreement (explicit or implied in previous practice) or was of very minor importance, reference was made to arbitration, which itself was comparatively simple. But an important difference regarding the terms of an entirely new agreement, or on any point raising a question of principle, was rarely submitted to an umpire. If neither side surrendered on the principle involved a deadlock ensued, often followed by a strike. Frequently one side surrendered to the other (or a compromise was effected), not because true agreement had been reached, but because the result of a strike or lock-out could be foreseen, and the weaker side preferred to await a more favourable opportunity of forcing its claim upon the other. Parallels may be drawn from commerce and from the relations of States to each other. A buyer cannot be compelled to buy or a seller to sell at a given price, nor is there any hope that arbitration or litigation could offer any remedy unless either

there was a previous definite contract which the judge could interpret and enforce, or some agreement, explicit or implied, regarding the principle upon which the price was to be fixed. It was precisely because there was no agreement as to what constituted a fair price, in relation to costs and to public demand, that the anti-profiteering tribunals failed so lamentably as a check to the rise in prices. Again, if the old Germany had captured and retained Dutch territory, Holland might have tolerated the theft and even, under threat, signed an agreement about it, not because her view had undergone change, but merely because she knew that the result of war would be a treaty no more favourable to herself. Nor would international arbitration be helpful unless some principle limiting the actions of sovereign states were generally accepted. Similarly in industry. Most of the sliding scale agreements in the iron and steel trades contain a clause, or carry an understanding, that any dispute relating to the circumstances of the moment shall be referred to arbitration. But neither the employers nor the unions would admit that the question whether or not the agreement itself should be abolished or amended is one which could usefully be answered by an impartial umpire.

During the war conditions were fundamentally altered. Arbitration was made compulsory over a large range of essential industries. But there were three governing principles to guide the arbitration tribunal, and one or other of these was applicable in nearly every case. From the time of the Treasury agreement in 1915 there was a clear understanding that the principle of equal pay for equal work should be applied in cases of dilution and substitution, and that piece rates should not be cut. Again, the "Fair Wages Clause," introduced into all public contracts before the war, was applicable in the case of all munitions contracts and sub-contracts. But more important than either of these was the agreement that wage rates should be adjusted to the cost of living. Compulsory arbitration necessitated the adoption of some principle of wage determination by which the arbitrator could be guided, and upon which the award could be based. There were one or two cases known to the writer to which none of the above principles could be applied, but they were settled by negotiation; for it was clearly recognised that any award made by an outside body would be more or less arbitrary. There were also a few important cases of



this character referred to the Committee on Production, such, for example, as week-end payment in the coke and by-product industry. But, while precedent for the terms claimed could be quoted from allied industries, it is obvious that the award was of the nature of legislation, and that the Arbitration Committee acted as a legislative body under exceptional circumstances rather than as a purely arbitration tribunal.

War conditions have passed; compulsory arbitration has been abolished; the wage-determining principles quoted above have ceased to operate to the exclusion of all others. Employers are no longer employed upon Government contracts, the terms of which could be adjusted to meet the new obligations imposed by the arbitration awards, nor are they busily employed making up arrears for a hungry market. They are once more subjected to world competitive forces and to all the risks of the commercial market. They no longer accept the principle that wages should be determined solely and exclusively by the cost of living for the reason, they say, that they are powerless in the matter. It is not what they desire but what they can fulfil that they are able to promise. They are no longer their own masters; and precisely because they cannot guarantee profits to themselves they cannot guarantee to the workers a wage solely determined by the cost of living. Thus we return to pre-war conditions. Arbitration once more retires to the background. There is no common acceptance of governing principles. The recent coal dispute serves as an admirable illustration. The miners demanded an entirely new principle of payment in the national pool. Arbitration on such a claim was impossible. Either one side had to surrender to the other or a compromise had to be effected. A compromise was only negotiated after a long and exhausting struggle.

Manufacturers to-day claim that an industry should pay in wages what that industry can bear. If the unions insisted on wage reductions corresponding only to the cost of living a series of deadlocks would follow from which arbitration would offer no means of escape. Such a deadlock occurred between the shipyard joiners and their employers. But the vast majority of unions are now recognising the futility of insisting upon the cost of living as the only factor determining the wages which they will permit their members to accept, and are admitting the importance of the principle laid down by the employers and endeavouring to secure the best bargain



possible in the circumstances. It is not merely a wise policy: it is the only possible policy. It carries with it a serious responsibility which all employers' associations should accept without hesitation. If the latter contend that an industry cannot bear a higher rate than they propose they should be prepared to support their case with evidence. It is not sufficient merely to repeat vague assertions. The union representatives are justified in requesting that all the relevant facts relating to the industry should be placed before them, so that they may not only be in a position to negotiate a fair rate in the circumstances of the case, but be able, in turn, to convince their own constituents of the inherent justice of the agreement, and prevail upon them to accept it as offering the best that the economic situation permits. Negotiation—even prolonged and delicate negotiation with a deadlock here and there—based upon publicity and the placing of all the cards upon the table, is preferable to crude arbitration as a method of dealing with the present condition of affairs.

§§ §

## THE FACTS OF THE CASE IN DIAGRAM, XVII.

THE dependence of our people for their livelihood on goods imported from beyond the seas has been, not only demonstrated, but proved, so constantly and so conclusively that the fact of such dependence may be said to have received universal acknowledgment. There can be no logical denial, therefore, of the consequence—viz., that the national standard of living depends upon our exports. This being so, it follows that neither legislative action nor any measure of social reform which does not increase the volume or the value of our export trade can possibly provide the accustomed means of livelihood for the inhabitants of these islands. Money wages may rise or fall, small sections of the nation may improve or worsen their position relatively to other sections, but the sum total of the goods that we consume must ultimately be governed by the value of the goods we produce, and by nothing else. This is not a question of ethics, it is not a matter of bargaining, it cannot be adjusted by the acceptance or rejection of any formula, it is just a hard relentless economic fact which may be summed up in the five words "We must sell or starve." When one considers the overwhelming importance of our foreign trade to every man, woman and child in the United Kingdom is it not a little strange that the attention of all classes seems to be concentrated upon a variety of subordinate issues almost to the exclusion of the one question that really matters? Has not the time arrived when the position must be faced in dead earnest by the Government, by employers, by workpeople, by consumers and in short by everybody? So long as our export trade languishes so long shall we be confronted by unemployment, by high prices and by ruinous taxation. As soon as our exports begin to expand, these and many other difficult problems will find their own solution—but not before and not otherwise.

The alarming extent to which our foreign trade has shrunk is not sufficiently recognised either by the people at large or by their chosen leaders. Parliamentary candidates seeking election exploit popular themes that are of little real consequence. Trade Unionists in congress debate matters of

secondary importance and journalists wax furious over newspaper stunts that lead nowhere. One and all are missing the substance for the shadow—and so it will continue, not, we hope, to the end of the world, but until something sufficiently unpleasant happens to compel us to give over quarrelling and to get busy about stopping the leak in the national boat.

The diagrams which we publish this month endeavour to show, in part, how great a shrinkage has taken place since 1913 both in the goods that we have been able to procure from oversea sources and in the goods that we have been able to sell to foreign buyers in exchange for the food, raw materials and luxuries that are required for our own consumption.

Diagram No. 30 deals with imports, diagram No. 31 with exports and both refer to the same periods, viz., the first three months in the years 1913 and 1921 respectively. The first mentioned period is chosen as being typical of the conditions prevailing before the war and the second mentioned as being the latest for which data are available if we exclude the second quarter of 1921 on account of the abnormal conditions brought about on and after the 1st of April by the consequences of the great coal stoppage.

The figures given in Diagram No. 30 are arrived at by taking the total imports in January, February and March, 1913, at their declared value, and by plotting the result in units of two hundred thousands of pounds sterling, i.e., five squares to one million pounds' worth. For the period January to March, 1921, a similar method is employed after allowance has been made for the reduced value of the sovereign at the later date. It will be seen that our total imports for the periods under review diminished in the aggregate nearly 26 per cent. and that the greatest falling off (over 38 per cent.) occurred in the supply of those raw materials that form the basis of our staple trades and upon the working up of which the bulk of our wage-earning capacity as a nation depends. The figures used are based on returns issued by the Board of Trade and are not open to challenge or qualification. For their particular application we are indebted to the argument developed and published by Lord Inchcape.

Diagram No. 31 tells a tale of even deeper and more disconcerting significance. A comparison between the goods we exported during the first quarter of 1913 and those exported



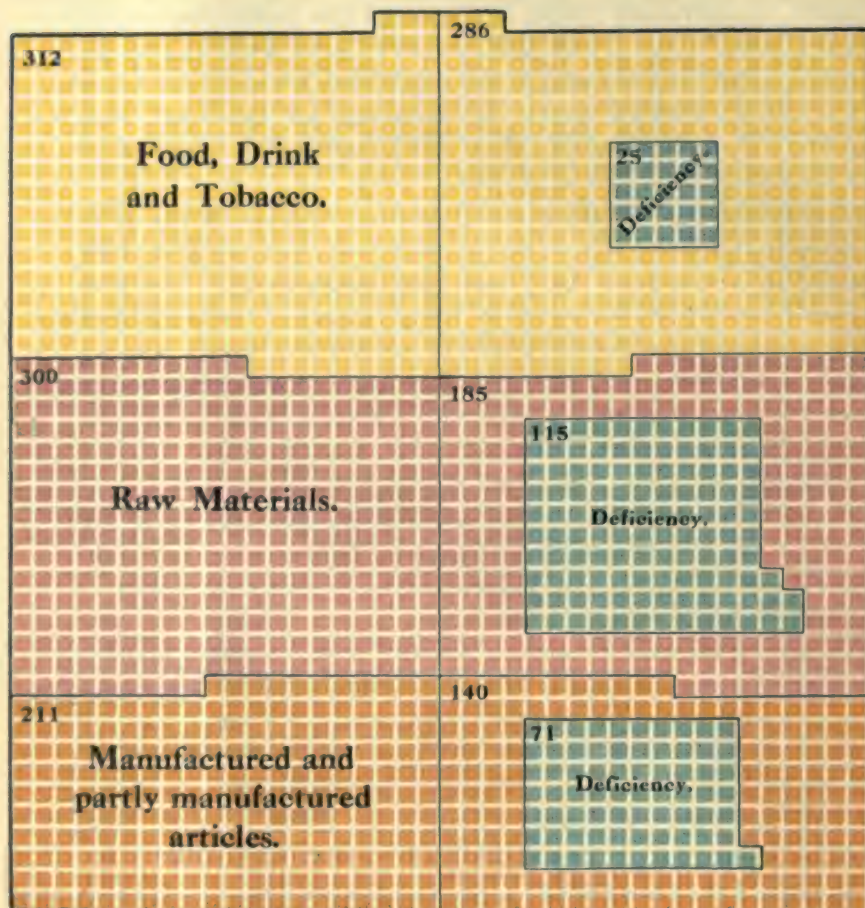
## DIAGRAM No. 30.

*(Note.—The figures in this diagram indicate the number of squares in each group.)*

### IMPORTS

During First quarter of 1913.

During First quarter of 1921.



### RELATIVE DEFICIENCY OF IMPORTS in 1921 as compared with 1913.

[first quarters in both years.]

Scale: each square of colour represents £200,000.

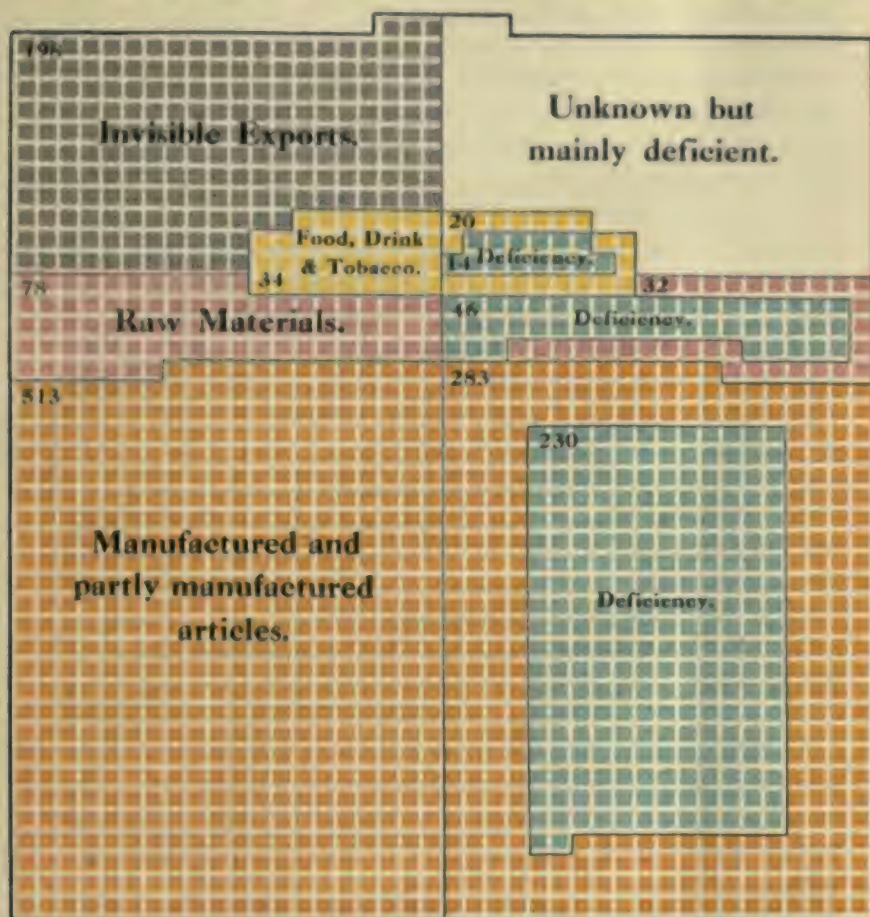
# DIAGRAM No. 31.

(Note.—The figures in this diagram indicate the number of squares in each group.)

## EXPORTS

During First quarter of 1913.

During First quarter of 1921.



## RELATIVE DEFICIENCY OF EXPORTS in 1921 as compared with 1913.

[first quarters in both years.]

Scale : each square of colour represents £200,000.



during the corresponding three months in 1921 discloses the fact that in the latter period we have been able to retain less than 54 per cent. of our normal foreign trade on the export side. The deficit is spread over all departments, but the greatest falling off is seen to have taken place in the two most essential particulars, viz, coal and manufactured articles. The adjustment of money values to which we have already referred has been repeated in the second diagram, and in this connection it must be remembered that the reduction in bulk is even greater than the reduction in value.

It is a matter of common knowledge that eventually imports can only be paid for by exports of one kind or another. In the case of the United Kingdom before the war, it appeared from the trade returns that the value of the goods we received from abroad exceeded the value of the goods we sent out of the country, with a considerable margin in our favour. The difference, as everybody is aware, was accounted for by the fact that part of the purchase price of our imports was paid for by our earnings as carriers and bankers and by the interest on our investments in foreign countries. These so-called "invisible exports" are indicated in Diagram 31 so far as the 1913 period is concerned, but are conspicuously absent in that part of the diagram which refers to the corresponding period in 1921.

We have no means of ascertaining the precise measure by which our invisible exports have been reduced but it is certain that the decrease in the volume of exports has been reflected in the diminished earnings of our "freighters." There is, moreover, the further handicap that the large amount of British capital which before the war was invested abroad has since been utilised to a large extent in paying off part of our indebtedness to America. In 1913 foreign nations paid us a large sum annually for the use of our capital. In 1921 we have to find additional income to meet the interest on our foreign debt, which now amounts to more than a thousand millions of pounds.

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## WAGES, IV.

It seems strange at first that while textile operatives, steel workers, and even coal miners raise no objection to piece-work, skilled engineers and allied workers are either opposed in principle to any form of payment by results, or, while not formally objecting to the principle, frequently oppose it in practice. We have already observed that the objection is partly due to the belief that it accentuates trade fluctuations and is consequently an important contributory cause of unemployment. There are some who hold that the status of a piece-worker is lower than that of a time-worker, just as the status of a wage-earner is lower than that of a salaried worker. Piece-work, in combination with the fact that the worker may be dismissed with one hour's or one day's notice, makes him little better, it is held, than a casual worker. Hence the insistence upon day work by those who attach more importance to status than to wages, and who regard status in this way. But such objections may be urged, with equal truth or error, wherever the system of piece-work is employed. To penetrate to the root of the matter it is necessary to examine whether piece-work in engineering and allied trades resembles or differs from piece-work in the other trades which have been specified.

The two are not the same. In trades such as cotton and steel manufacture production is standardised, and either the machinery is of standard form or the degree of deviation from the standard is easily ascertainable. Piece-rates are therefore de-personalised, and are the subject of negotiation between the trade union and the firm or employers' association. They are the result of collective bargaining and are part and parcel of the standard rates. This is not, in the main, true of engineering. The work is not standardised; the method of production varies between different firms, frequently between different departments of the same establishment. Jobs are built up in different ways by different employers, the series of operations by which a product is made being determined by the machines available for the purpose. It is well known, for example, that A's quotation may be much higher than B's for one contract, and much lower for another; and one of the trade secrets which an employer would desire to preserve from

a rival is the way in which a particular job is built up. The variety of methods prevailing in engineering is as marked as the similarity of methods employed in, say, a steel melting plant or a rolling mill. The special character of the labour problem in engineering is the result of the special character of engineering itself. Sometimes an order for a single product will be forthcoming which may never be repeated; in many cases it will not be repeated often.

The consequence is that piece-work is strictly individual in character, and the fixing of a piece-rate is generally a matter of personal arrangement between the rate-fixer and the individual workman. If the job is one which has been made before, the rate-fixer will have the previous rates and times at his command, whereas the worker is not conversant with past experience. Hence the charge that the rate-fixer cuts the rate until the margin of gain obtainable by the average worker is too slight to compensate him for his effort. There is a tendency, it is true, for work to become more standardised. In some cases a general engineering firm may have an order for a large number of similar articles. In such cases piece-work would appear to be more practicable, but frequently the charge is made that when a rate is fixed it is based upon experimental tests by specially selected people—possibly the foreman himself—under artificial conditions, and is therefore unduly low. In other cases the firms concentrate upon highly specialised and standardised work, such as shells, aero engines, etc., during the war, and motor-car engines in time of peace. Where such is the case the machinery itself is standardised and the system of piece-work (which now approximates closely to piece-work in cotton mills) is not only practicable, but generally employed. But the work on the machines is itself so standardised that it is no longer skilled work, but is performed by semi-skilled operatives working under the direction of skilled tool-setters. It offers no solution to the problem of the skilled engineer, particularly to the tool-makers. Attempts have frequently been made to introduce some form of payment by results into the tool room, but where the jobs vary so greatly (as they do in the majority of tool rooms) the prices are said to be largely of the nature of a gamble.

The difficulty of eliminating error in fixing a piece-work price has led to the introduction of various forms of premium bonus. If the time-rate of the worker is, say, 1/- per hour, and



it is expected that a job would be finished in ten hours by the average time-worker, and a time allowance of ten hours is therefore made, the worker may be given part or all the time rate for the time saved. If he is paid for the whole of the time saved he is paid piece-work. If he is paid less than (say one half) the time saved, the system is called premium bonus. It is clear that the premium bonus system lessens the consequences of an error made in the time allowance; and that accordingly the importance of strict examination of the time allowance is diminished. If the worker's wage can be made to increase at a diminishing rate with every increase in the time saved, the importance of the time allowed is still further reduced. Workers perceive that the rate of pay seems to diminish with every increase in their efficiency under the premium bonus system, but they are not informed that the time allowance for a given job varies with the precise method of payment by results which is adopted. Hence their deep-rooted objection to premium bonus (which cannot be further analysed here) and their preference for straight piece-work as being the lesser of two evils.

It is thus hardly to be expected that the objection to payment by results will be overcome by the substitution of some modification of piece-work for the better-known system. If skilled engineers and allied workers are to be converted it must be by guarantees against rate-cutting, by the protection of the standard time rates and of the unions which negotiate such rates, and finally, by the provision of measures which will, as far as possible, mitigate trade fluctuations and secure continuity of a minimum of payment during such depressions as are unavoidable.



## THE BUSINESS MAN'S VIEW, XI.

*(These articles consist of a series of extracts from the reports of Company Meetings, grouped to give the reader an opportunity of studying the effects of the many conflicting currents that go to make or mar commercial enterprise. Though these reports, giving as they do only the managers' point of view, cannot be considered to cover the whole field, they may, nevertheless, provide a valuable commentary on a good many aspects of the question as to the ways and means by which the nation does, in fact, secure its livelihood.)*

### On the Capitalist Principle.

LAST month we illustrated the vital influence of the capitalist principle in economic systems by reference to the history of industrial organisation under the communism of Lenin. But it is not enough to show that communism is an economic failure. There are those who, while they admit the value of the capitalist principle, persistently assert or imply that there are no complications in the economic machinery other than those deliberately created by the capitalist to assist him in more thoroughly robbing and exploiting the wage-earner. These would have us believe that the capitalist's task is the simple one of gathering in vast profits with automatic regularity, the workers being robbed in greater or lesser degree according to the size of the "surplus." Such ideas may seem too silly to refute, but the fact remains that they are preached daily to a necessarily ignorant and discontented public who accept them without question because, in the first place, they don't trouble to think, and, in the second, the ideas are not unpalatable. They infer a grievance and a possibility of something for nothing.

The report of the Australian Estates and Mortgage Company, Limited, concerning one of the staple industries both of this country and of the Australian Commonwealth, furnishes interesting evidence of some of the difficulties and disasters that attend the efforts of those who, for a profit, ensure an Empire like our own with supplies more varied and more certain in quantity than was ever dreamed of in non-capitalist ages, or than can be obtained to-day in non-capitalist regions. Mr. Andrew Williamson, the Chairman, deals first with the "natural" difficulties with which his Company had to deal in their work of rearing sheep for market. The year 1920 opened in most unpromising conditions, the last half of 1919

having been practically six rainless months. The drought, in the grip of which 1920 opened, continued for a further six months with intense severity. The summer of 1919-20 had to be faced with an appalling deficiency of the water supply so vital to the welfare of the flocks. It was necessary, therefore, to provide for the removal of large numbers of sheep to relief country at abnormal expense. Where this was not possible water had to be brought to the flocks at equally heavy expense. It was necessary at all costs to preserve, if possible, and as far as possible, the breeding sheep. On this depends, of course, the continuity of the quantity and high standard of the wool produced. In the spring it had been already decided that stock numbers must be reduced, and arrangements made accordingly, but as the months of drought succeeded one another it became evident that the "Plains" stations were unable to carry even their reduced stock. Agistment country had to be obtained for the dry portion, and hand-feeding of the lambs resorted to. At the same time provision had to be made below the snow line for the sheep in the mountains. For the ewe portion, due shortly to lamb, no alternative was practicable but to return them to such stations as could accommodate and hand-feed them. For the wethers, agistment country was with difficulty secured, and that at high rates; fortunately, snow losses were averted. These and many other precautions, calling for considerable foresight, energy and expense, having been taken, the long drought was eventually followed by serious floods and a very low temperature which caused further heavy losses. Despite all these difficulties which "came uncomfortably near to what might have been a catastrophe," the Company came through the year with a minimum of loss. This happy result, the Chairman points out, "would not have been possible had we not in past years expended a vast amount of care and outlay on the improvement of our properties and thus placed them in the best position to meet just such an emergency." But an industrial undertaking is not only dependent on good and careful internal management, as Mr. Andrew Williamson expresses it, "profits are dependent on other factors besides the seasons, such as the revival of the markets for both wool and live stock. While our products reflect a serious decline in values, there is no diminution in the cost of production. Wages in Australia still remain at the high level to which they soared during the war period, and threaten to endanger



Australia's primary industries. Production cannot be continued at a loss, and unless Labour bears its share of the prevailing difficulties, unemployment and suffering must ensue. The value of the product of the worker as a determining factor in the fixation of wages will, we trust, be accorded its due place. Unless this is done many industries in Australia may have to be closed—nearly the whole mining industry is already brought almost to a standstill—and many thousands of workers may find by bitter experience that total cessation of wages is worse than mere reduction."

The explosion of the erroneous belief that wages are a fixed sum paid out of capital has, no doubt, had the usual effect of encouraging belief in the opposite extreme, and one of the greatest difficulties we have to contend with to-day is to convince the wage-earners that their prosperity and their capacity to earn a livelihood really is directly dependent on the amount of industrial capital in the State. In this connexion Mr. Austin Hopkinson, M.P., relates a useful and convincing story of his own experience. Some two years ago Mr. Hopkinson instituted in his own works a profit-sharing scheme controlled by a sliding scale. Under this scheme the capitalist-proprietor of the business takes a proportionately large share when profits are low. As profits rise the capitalist's share diminishes until a point is reached at which he is not entitled to anything. In practice this point is never reached. The capitalist reserves the right to fix the selling price of the goods produced. Thus when profits threaten to become unduly large, it is in his own interest to lower the price of his goods. Thus the prosperity of the business is shared between all parties—the capitalist, the wage-earner and the consumer.

The men are represented by a small Finance Committee who have the right to inspect the Company's books and to discuss the Company's financial position with the auditors, etc. On one occasion, at the end of the financial year, this committee, seeing that everything was working successfully, and that increased business meant more work and more profits for all, suggested that the undertaking should be extended. This would, they suggested, enable them to give employment to more men, and at the same time increase the incomes of all in the firm. Mr. Hopkinson agreed, but pointed out that new machinery and other things would be required. Hitherto the business had grown steadily from year to year, but that



was because the profits, which some were inclined to accuse him of appropriating for his own luxurious ends, had been devoted in great part to that purpose. This year the necessary funds had been distributed. How then could they obtain the things they needed? They could borrow from the banks. But under the then prevailing conditions this would have been a costly proceeding. They could float the business as a limited liability company and appeal to the public for capital. But this the men were loth to do. The business was their own; they did not wish to share it with others under new and probably less agreeable conditions. They preferred to keep the control in their own hands. The third alternative was soon obvious to the men's Finance Committee. The money which should properly supply the capital for the development of the business was the sum divided up amongst them as profits. But the majority of the workers, when appealed to, preferred to draw and spend their share of the profits in their own way rather than devote them to expanding the business. The interesting sequel is that the more thoughtful minority thereupon came to the conclusion that it was undoubtedly better for industry and therefore for the workers as a whole if the profits were allowed to accumulate in Mr. Hopkinson's hands, rather than be distributed and spent by the workers.



## SOME CONSIDERATIONS AFFECTING THE SIZE AND CHARACTER OF THE INDUSTRIAL UNIT IN THE COTTON TRADE.

THE size and character of the typical industrial unit is a question of fundamental importance to the social and economic life of the nation. Our choice to-day still lies between the old-fashioned private firm, the modern joint-stock company or its recent titanic development—the Trust. The co-operative workshop or national organisation by guilds of craftsmen are possibly further alternatives which, although as yet but little-honoured prophesies, cannot be entirely ruled out.

The Cotton Trade of to-day shows remarkable diversity in this respect. We have packed side by side in our Lancashire towns small one-mill or one-shed businesses, large groups of mills owned by a single firm, and, lastly, the particular organisation called forth by great combines. The fact that there is no universal admission that any one of these types is more efficient than another gives colour to the view that the highest efficiency is to be found somewhere between the extremes. There is, at any rate, evidence in this industry of much that belies the present tendency to regard mere size as a guarantee of efficiency.

Cotton manufacture in Lancashire dates from a period prior to the beginning of factory life. The development of spinning machinery in the eighteenth century led to the building of factories in which the fluffy raw cotton or "cotton wool" could be spun into threads more cheaply than this could be done in the crafters' cottages. A little later, the invention of the power loom led to a similar concentration of the weaving industry.

Although from early days some firms have carried on both spinning and weaving together, the tendency to specialise in one or other of these two main branches of the industry dates from such early times that the abilities and inclinations of local populations have themselves become specialised, with the result that spinning preponderates largely in the south and weaving in the north and north-east of the county.

The one-mill or one-shed business in the Lancashire Cotton industry may consist of a spinning mill, or a doubling mill or a weaving shed. The strength of this type of unit and the

keynote of its organisation is unified control. Whether it is a private firm or a public limited liability company, it is as a rule administered by a single Managing Director, or perhaps by two partners (brothers in all probability), of whom one goes to market and takes the more active and responsible work, and the other stays at home and carries on the routine. This feature has a bearing upon the limits of expansion open to such a business.

As a rule a modern spinning mill is a high four-storeyed building containing from 90,000 to 120,000 mule spindles (or not more than 70,000 ring spindles, which are rather more productive). The cost of building a mill before the war used to be estimated at about £25 per mule spindle, so that the capitalisation of a mill was usually between £100,000 and £150,000 including all subscribed capital whether in the form of shares or loans. A doubling mill where yarns are simply twisted together to secure greater strength and evenness is generally a minor undertaking compared to the above. Weaving sheds vary enormously in size and may contain anything from three hundred to a couple of thousand looms. The capital required for a weaving business was generally reckoned at about £15 per loom, so that the capitalisation of a weaving business was well within the reach of people with limited resources. In some parts of East Lancashire there is a system in vogue by which the proprietor of a building lets off a room supplied with motive power to each of several distinct occupiers who instal their own weaving machinery and thus become manufacturers with a minimum outlay.

Various factors in the weaving industry tend to produce, on an average, smaller undertakings than are found in the spinning industry. Cloth, the product of weaving, is susceptible of very much greater variety than are the threads of which it is made. While the former can be turned out by a process dependent upon purely arithmetical laws, the inexhaustible appetite of human beings for distinction and novelty demands the production of an endless variety of textiles. Thus spinning is a more standardised and wholesale operation: spinning machinery is now designed largely for massed production. The management is more easily concentrated: the amount of detailed personal attention required of the manager tends to be very much greater in the weaving industry.

Whereas the size of a weaving business is limited largely by difficulties of an administrative character, the maximum



dimensions of a spinning mill are fixed by purely technological considerations, and these maximum dimensions appear to have been already reached. No striking enlargement of individual machines is at present in progress, nor does any further concentration of machinery in a single building seem to produce additional economy. It is true that a plan was recently mooted for placing four one-storey mills on top of each other in a single building in order to economise ground rents, but this plan has not yet come to anything.

These divergencies in the spinning and weaving industry alone—two sections, as it were, of a closely related industry, serve to show how varied are the problems of financing different industries, how unlikely it is that one type of financial organisation will be equally suited to all. In the cotton trade the largest unit-plant used to cost about £150,000 (at the present time probably double), whereas in the chemical industry it is sometimes necessary to put down plant costing £500,000 to produce a single compound which itself merely plays a part in the chemical reactions leading to the production of valuable synthetic dye-stuffs or drugs. In the smelting of iron and steel the size of furnaces and rolling plant is still increasing and does not seem to have reached its economic limits. In such industries there is clearly a sound incentive to venture even greater capital in the expectation of a higher proportionate return, but in the cotton trade it is not by any means obvious, from the nature of the process, that an outlay which exceeds the limits indicated above will give a higher return.

Having reached the limits of the single mill or shed, what methods of expansion are open to the successful cotton spinner or cloth manufacturer who desires to extend his business? He may simply add to his existing mill another mill of the same kind and carry on his old business upon a larger scale. This is the most favoured course. The cotton-master is not put to the trouble of learning new devices, of training a new set of workpeople and supervisors on fresh lines, or of finding new markets. In Oldham, where a very specialised class of labour exists, this form of expansion is normal and one finds several large groups of spinning mills of which all the members are under one management and financially controlled by the same "Interest."

Such large groups do not often occur in the weaving section for the reasons mentioned above in regard to the size of the

weaving sheds. Moreover, since it is more in the interest of the weaver to control spinning mills supplying him with the yarn he needs than it is in the spinners' interest to own or control weaving sheds the evolution of the successful weaving shed follows rather different lines, leading to a second type of great business which combines both spinning and weaving, and very often subsidiary operations such as doubling, dyeing and bleaching as well. Many of the oldest and most reputed firms in the industry, of which several date from the closing decades of the eighteenth century, are of this second order.

The advantage of this type of expansion is twofold. Intermediate profits are eliminated and, what is still more important, greater control is secured over the quality of the final product, namely cloth—and it should be remembered that it is the final product in which the public is interested, and by which the success or failure of the whole industry in the markets of the world is determined.

Undertakings of this type and magnitude call for a degree of skill, training and management ability which place them happily beyond the capacity or inclination of the speculative financier type of business man. Forced to compete at every stage with specialists who devote themselves entirely to a very much smaller range of processes, the successful director of such an enterprise must needs be a Napoleon of industry. Indeed, the complexity of so great a manufacture is beyond the supervising capacity of a single brain, or a single pair of eyes. For success good organisation is needed, aided by loyal support from subordinates and workpeople trained long in the habit and tradition of high efficiency.

In consequence of the post-armistice 'boom' in trade, combination on a grand scale has recently become the fashion in the cotton industry, though earlier experiments on these lines have not been found remarkably successful. The combine differs from the types of organisation hitherto discussed in that it consists of a number of distinct firms trading under their own names and in a condition of quasi-independence. There are two chief types of combine: those which have control of almost all the existing firms engaged on a certain kind of work and seek to convert specialisation into monopoly, and those which, being more varied in their composition, are not able to secure a monopoly but hope to obtain advantages by "pooling," and the adoption of a common policy.



There are, in fact, many things which might profitably be pooled or shared by businesses operating otherwise independently of one another. Co-operation must always be a definite gain, but perhaps the advocates of combination sometimes fail to see that too high a price has to be paid for this advantage when a great centralised financial organisation is called into existence. The cost of the central bureau itself is not inconsiderable and must be set off against the economies due to it, but far more serious than this is the sort of devitalisation which, it is to be feared, sometimes overtakes firms which lose their financial independence and become the satellites of a Trust.

To sum up, the size of the plant used in the manufacture of cotton is limited, under existing conditions, by technical considerations, chief of which is the fact that cotton is at an early stage drawn into fine filaments which are very easily damaged or broken. Horizontal linkage of separate productive units engaged on the same range of processes, such as either spinning or weaving, is much in vogue, particularly in regard to spinning, but vertical combination—or the integration of all the processes to do with cotton into one highly organised undertaking has also always prevailed to some extent and is especially successful where the goods are required to be of a high and unvarying quality. Very large combinations or Trusts have worked successfully in certain corners of the field where a partial monopoly has been open to them, but in general it may be said that the policy is still in its trial stages. In the meantime practical experience shows that there is still plenty of room for the small independent firm, especially when the latter confines itself to the manufacture of a reasonably specialised range of products.





## FOOD FOR THOUGHT.

THE very serious decline in our foreign trade, some measure of which is indicated by the diagrams that we publish this month, has been followed, as was bound to be the case, by an access of unemployment of almost unprecedented dimensions. There were those who persuaded themselves that the results of the law of cause and effect could be avoided in some miraculous fashion, and vainly imagined that our industries could continue to provide employment for our people in spite of the loss of capital brought about by the war and notwithstanding the consequent disorganisation of Europe. If foreign nations could afford to buy our goods the problem of unemployment would be solved in a flash and our workshops would become as busy as they have ever been in the past. But there is no other solution, and it is pure waste of energy to seek for remedies in other directions. Our potential capacity for production is immense, there is no serious lack of raw material, and the loss of capital could be made good after a steady spell of work. In short the trouble is essentially one of markets.



It is impossible for us, as a nation, to devise any plan for the rehabilitation of Europe. Only time—and work—will stabilise exchange, re-organise industry, and re-open the channels of commerce. But if we cannot make our customers richer, and, therefore, able to buy at present prices, is it not possible that we could do something in the way of meeting their disabilities by bringing down the cost of the goods that we have to sell? This is the process that sooner or later must be resorted to, and whether we like it or not we shall have to submit to the economic law or descend from bad to worse. The longer we kick against the pricks of necessity the more we shall suffer in unemployment and all the miseries that it entails.



If we are to sell cheaper the cost of production must be reduced. That is sufficiently obvious, but it is when we come to put the necessary reductions into operation that we experience the first pinching of the shoe. The chief factor in the cost of production is wages and salaries, the second is

material and the third is the reward of capital. The proportions between these three factors vary considerably in different industries but their order in point of magnitude remains constant. Extremists on the Labour side, in ignorance of the *relatively* small share taken by capital, demand that the cost of production should be lowered at the expense of interest and profits, whilst extremists amongst the employers, in forgetfulness of the ethical rights of Labour, declare that only by cutting wages can the cost of production be sensibly reduced. As is nearly always the case, both the extreme points of view are radically wrong and the only fair method of approaching the problem is to search for an equitable basis on which the load may be adjusted as between the two parties in such a manner that neither suffers from a legitimate sense of grievance in having to bear what, rightly or wrongly, they consider to be the main brunt of the economic burden. If the owners of capital gave up the whole of their share the sacrifice would not achieve the required result, that is to say the cost of production would not be sufficiently reduced to save the situation and it would still be necessary to bring down the level of wages before trade could regain its old buoyancy and the demon of unemployment be exorcised. What is actually taking place at the present time is that wages of labour and the reward of capital are both being forced down by the inexorable action of economic stringency to the accompaniment of protests from each side. It would be better for all concerned if shareholders and workpeople alike could be induced to recognise that ultimate salvation can only be found along the path of present abstinence, and better still if the necessary sacrifices were made in the spirit of a voluntary surrender to the exigencies of a common danger.

§ § §

Much could be done in this direction by the wise use of the right brand of publicity. It is not known to the bulk of the workers that both interest and profits are in a bad way. They do not read the reports of company meetings and reckon nothing of the passing of dividends or of the wastage of capital values. They are frequently told by people who ought to know better that employers actually benefit by the prevalence of unemployment. One would have supposed that the lack of logic involved in the twofold contention that capitalists live by employing labour, and that at the same



time they make a profit out of not employing it, would strike the least critical observer; but the idea that he is being exploited has been so firmly established in the workman's mind by constant reiteration that he has apparently lost the faculty of examining the facts of the case by the light of his own judgment.



The outstanding feature of the present position, however, is the urgent necessity for dealing with the unemployment that is all around us and which, whatever its cause, cannot fail to involve all classes in ruin unless it is checked, and that promptly. The most popular cry at the moment amongst the workers is that the Government must provide work or maintenance. We agree that work or maintenance are the two horns of the dilemma, and that the Government is bound to take immediate steps to grasp the one or the other. At all costs must the menace of starvation be banished and on no account can the threat of semi-starvation be so much as entertained. But the question arises as to what is entailed by the word "maintenance." Utterance was given at the Trade Union Congress at Cardiff last week to some dangerous nonsense on this subject. Mr. W. McLaine, for example, declared that the unemployed ought not to receive less pay than they would get when in full work, and added that the only lever the workers had to defend the unemployed was the strike. To cure unemployment by creating it is about as futile a remedy as the most expert caricaturist could suggest.



Responsibility for solving the problem of unemployment does not rest exclusively on Government shoulders. Trade Unionism must play its part in the emergency, and that part consists mainly in the relinquishment of the untenable position that any man is entitled by right to wages at full rates whether he renders equivalent services or not. As it is normally the business of labour leaders to keep wages up to the highest practical level, their reluctance to accept the contrary role is only natural, but under the abnormal circumstances now prevailing their plain duty is to use their best endeavour to keep every man at work even if such action entails some departure from Trade Union rules or customs.



## DAY BY DAY.

*(A monthly Record of the principal events, at home and abroad, which have a direct bearing upon the maintenance, or otherwise, of peace in industry).*

**August** The Ministry of Labour index number records a rise of 1st. three points in the cost of living during the month. The figure is now 122 per cent. above that for July, 1914.

About 3,595,000 workpeople suffered a total reduction of nearly £1,070,000 in their weekly wages. The principal groups affected were coal miners, railway servants and workers in the engineering and building trades.

94 trade disputes involved 1,127,000 workpeople in idleness and caused a loss of 6,300,000 working days.

Unemployment among Trade Unionists fell to 16.7 per cent. and to 14.8 per cent. among workers in the Insured Trades. A total of 1,780,000 workpeople was registered at the Employment Exchanges as unemployed and over 500,000 were working short time.

The Soviet Government have agreed to Mr. Hoover's demand that all American prisoners in Russia shall be released and in consequence immediate steps will be taken to relieve the starving children in the Petrograd area and elsewhere.

The Social Democratic Federation, whose annual conference opened on July 31st, unanimously declared its determination not to confer or have anything to do with the Communist Party in this country or with any Bolshevik Party.

2nd. The National Sailors' and Firemen's Union has decided to withdraw from the National Transport Workers' Federation rather than accept a resolution empowering the Federation to call a strike of all the federated unions without first balloting the constituents.

5th. The dispute in the chemical trades has been settled by the award of the Industrial Court. The employers in the Drug and Fine Chemical Manufacturers' Association asked for a reduction of 10s. in the wages of men and women and proportionate reductions for juveniles. The Court has awarded a reduction of 7s. per week for men and 6s. for women.

6th. The death is announced in Petrograd of Alexander Blok, the popular revolutionary poet. He succumbed to scurvy contracted a year ago through under-feeding. \*

The coal output for the week ending August 6th was 3,623,000 tons; nearly 1,000,000 tons less than that of the previous week.

8th. Miners in the Cleveland ironstone district, who have been idle since March last, are returning to work under a new agreement whereby they are guaranteed a minimum wage of 8s. per day.

9th. The Negotiating Committee of Railway General Managers conferred with the N.U.R., the Federation of Engineering and Shipbuilding Unions and the National Federation of Building Operatives. It was agreed that the wages of skilled craftsmen in railway engineering shops should be reduced by 6s. on and from August 15th. The A.E.U. refused to be represented because they do not recognise the right of the N.U.R. to negotiate for the shopmen, and will make separate arrangements for their members.

Sir William Plender was appointed independent chairman of the National Board for the Coal Industry.

10th. The J.I.C. for the printing industry recommend a reduction of 7s. 6d. a week in two instalments, in men's wages and 3s. in women's wages. The Printing Trades Federation previously rejected proposed reductions of 10s. and will now ballot on the new terms.

A special delegate meeting of the N.U.R. gave reluctant acceptance to the offer of the railway companies with regard to the wages and conditions of service of signalmen.

12th. Messrs. Jarrow and Co., the shipbuilders of Scotstoun, Glasgow, announce their intention of closing down in November. The reasons given by the firm for this step are as follows :—"Owing to repeated strikes, reduction of output and demarcation disputes . . . the cost of shipbuilding has become excessive; in addition to which it is impossible to promise dates of delivery." The works will be re-opened when conditions offer some chance of carrying on business successfully.

Miners in South Wales are showing strong antipathy to Bolshevik ideals and some clubs are expelling members who uphold Bolshevism.

At Sheffield several thousand people, led by Communists and unemployed, attempted to rush the Town Hall. The men demanded full trade union rates of wages and no task work while unemployed.

A conference of South Wales colliery enginemen and surface craftsmen decide to break away from the S.W.M.F. and to reconstitute their own organisation. A delegate from

the Federation Executive urged the maintenance of the colliery workers' unity, but an overwhelming majority voted for resuming a separate organisation after speakers had denounced the stoppage of safety men during the strike.

13th. The Federation of Chemical Workers announce the result of the ballot on the employers' proposal to reduce wages by 2d. an hour. Out of a total of some 30,000 workers less than one person in sixty voted for acceptance of the terms. The workers have given notice that they will cease work on August 27th unless wages are satisfactorily adjusted.

The coal output for the week ending August 13th was 4,536,600 tons, an increase of nearly 1,000,000 tons over the previous week's output.

15th. State control of British railways ends to-day. Henceforward all expenditure incurred on behalf of the railways will be on their own account.

The Trade Board for the Jute industry has applied to the Minister of Labour for an order confirming their decision to reduce the minimum wage by  $12\frac{1}{2}$  per cent. as from September 9th.

16th. Messrs. Brunner Mond and Co. have threatened to close their chemical works on the 27th August unless they receive within the next few days assurance that sufficient men to carry on manufacture will remain at work.

Blaenavon miners pass a resolution to cease from contributing to the Labour Party funds.

17th. The annual conference of the Miners' Federation opened at Llandudno. Mr. Herbert Smith, in his presidential address, referred frankly to unwise decisions and disloyal actions during the stoppage.

The annual conference of the National Federation of Building Trade Operatives opened at Perth.

Communist riots took place in Sheffield on the occasion of the bringing before the magistrates of eleven men charged in connection with the disturbance on the 12th August. There were several more arrests.

The shipyard joiners' strike, which has lasted for eight months, is settled, the men agreeing to an immediate reduction of 6s. a week and one of 3s. in October. In December a further 3s. reduction will be considered.

A large number of riveters employed on Admiralty work at Portland have struck. The men are members of the Boilermakers' and Shipbuilders' Associations and are opposing a wage reduction of 15 per cent.

An Unemployment Committee under the chairmanship of Sir Alfred Mond has been appointed by the Cabinet.



According to information received from the British official agent in Moscow relief is now required for 35 million people.

18th.

The Miners' conference passed resolutions demanding pithead baths and a compulsory fourteen days' holiday in the year. They further resolved to organise and educate working-class opinion until the Government is compelled to nationalise the mining industry.

At the annual conference of the National Federation of General Workers Mr. J. R. Clynes warned Labour against the dangers of the strike weapon.

Councillor W. Holland of the Notts Miners' Association criticised the actions of the Miners' Federation during the coal strike and stated that as a consequence of the stoppage the Notts Association was £150,000 in debt.

A manifesto, headed "A Call to Labour" and addressed to Trade Unionists, was issued by a group of Members of Parliament.

Portland riveters returned to work. It was agreed that due notice should be given of any reduction in day and piece rates.

19th.

The General Workers' Conference passed a resolution approving the principle of one organisation for all General Workers.

Mr. Herbert Smith was re-elected Vice-President of the Miners' Federation.

The Shipbuilding Employers' Federation have given notice that it is intended to discontinue from September 1st the Ministry of Munitions bonuses of 12½ per cent. to time workers and 7½ per cent. to piece workers.

Edmonton Labour Party expel Communist members.

20th.

The coal output for the week ending August 20th was 4,327,000 tons; 209,600 tons less than that of the previous week.

22nd.

The Grocery and Provisions Trade Board propose new minimum rates ranging from 18s. to 56s. 6d. per week for male porters and from 19s. to 63s. for shop assistants and other male workers; from 14s. 6d. to 37s. for female porters and from 15s. to 41s. for shop assistants and other female workers. These rates do not apply to vehicle workers, commercial travellers or charwomen. A period of two months will be allowed before any rates can be fixed.

23rd.

The National Federation of Colliery Enginemmen and Boilermen decide to ballot as to whether they wish to continue affiliation with the Miners' Federation on the present basis.

The Ministry of Health outline a scheme for building dormitory towns for miners away from the actual coal areas.

The Agricultural Wages Board confirms the proposed reduction of 6s. a week in the wages of agricultural workers, with a minimum of 42s., operative from September 5th.

Attempts to obtain a settlement of the Chemical Trade wage dispute fail. Strike notices expire on August 27th and the stoppage of about 30,000 workers is threatened.

24th. Scottish shale workers agreed by a large majority to a reduction of 3s. 2d. a day.

The Ebbw Vale Steel, Iron and Coal Co., whose works have been closed for more than six months, are re-opening.

25th. 90 per cent. of the 6,000 workers employed by Messrs. Brunner Mond and Co. have decided to remain at work even if a strike of chemical workers is ordered for August 27th.

Nottingham workers in the production of fancy lace are threatened with the reduction of their 25 per cent. bonus as the trade is in a "terribly depressed condition." Reductions are also imminent in other sections of the industry.

Mr. Morgan Jones, the Labour candidate, was elected M.P. for Caerphilly with a majority of 4,741.

Councillor Farrow of Manchester states that the miners in every pit in the Lancashire Federation have linked up with the Red Trade Union International.

26th. The ballot of Printing trade employees on the reduction of wages by 7s. 6d. per week for men and 3s. for women is reported to show a majority against acceptance. No figures are published. Fourteen trade unions with a membership of over 25,000 are involved.

Chemical dispute settled. The agreement provides for a reduction of 1½d. an hour from August 1st and a further ¼d. from October 1st with wages stabilised to the end of the year.

The Miscellaneous Trades Joint Council has agreed to a reduction, varying according to district with a minimum of 3s. a week, in wages of both men and women workers in the Army Ordnance, Air Disposal and Liquidation Depots.

27th. Men in the West Cumberland ore mines have refused to accept the masters' offer of 10s. 10d. a shift.

The Executive of the National Transport Workers' Federation is to open negotiations with affiliated unions to consider all necessary means of securing the best and strongest organisation of the workers employed in all forms of transport.

Further results of the ballot in the Printing trade show that the reduction of 3s. in the wages of women workers has been accepted by the whole of the unions.

A revival is taking place in the Lanarkshire steel industry, which has been in a state of acute depression for the last nine months.

Italy: Cotton mill owners have announced a reduction of 50 per cent. in wages. The offer has been rejected by the National Federation of Textile Workers.

29th. At a conference between salt manufacturers and their employees the employers proposed a reduction of 1½d. per hour with a further reduction of ½d. in October. The proposal is to be laid before the general body of the workers.

The Durham Miners' Association have decided not to send delegates to the Trade Union Congress next month.

30th. The Soviet Government has arrested the non Communist members of the Russian Relief Commission and dissolved that organisation.

31st. Moulders employed at Messrs. Foden's motor-wagon works, Sandbach, have returned to work on the same conditions as those prevailing when they struck, five months ago.

New regulations are proposed to give better protection against fire in factories where celluloid is made and handled.





## "I.P." STUDY SCHEME.

THE winners of the preliminary prizes, whose names we announced in last month's issue, are reminded that the closing date for the final paper to be received at this office is September 20th.

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In the list of prize winners the name of E. M. Charles appeared twice, once in its alphabetical position and again at the end bracketed with that of P. J. Nicholas. This was, of course, an error. Miss Charles of Newport was awarded a prize of £2 10s., as was also Mr. P. J. Nicholas of *Aberdare*, incorrectly printed as Aberdeen.

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We have received a number of suggestions from candidates, mostly expressing a desire for further guidance in the study of Economics. To some of these we have replied personally, but the number made it impossible for us to do so in every case. We take this opportunity to say that while we are glad to find that the Study Scheme has achieved its object in awakening and fostering a real interest in the laws which govern economic phenomena, we cannot assist our students with individual instruction. Our intention was to point the way and to encourage, but not to instruct. To those who ask "What can we do next?" we reply, read a representative book or two, say, Mr. Clay's *Economics for the General Reader*, or, for those who like their theory undisguised, Professor Marshall's *Principles of Economics*. On special subjects one might name a host of interesting and readily accessible books, but Professor Macgregor's *Evolution of Industry* should on no account be missed. Professor Pigou on *Unemployment* is illuminating, and both these little books are published in the "Home University Library" series.

By the time he has read a few of these books the student will have no difficulty in knowing where to turn for further material.

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The suggestion that we should award certificates to all candidates who sent in three papers was duly considered but was rejected. The mere reading of books and writing of papers cannot, *per se*, be regarded as an achievement of any standard whatsoever. Such a certificate could at best merely testify to the ability of the holder to complete a thing begun.

No. L  
**OCTOBER**

MCMXXI

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"What is best for all is best for each class, and  
what is best for each class is best for all."

*The Prime Minister.*





# INDUSTRIAL PEACE

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# INDUSTRIAL PEACE

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## TRADE AND FINANCE, I.

THE economic world is in a state of chaos. Order will only be restored by strong, disciplined effort on the part of all concerned. But the effort must be well directed, and the true direction can only be found by careful investigation of the nature of the difficulties which are to be encountered. During the last few weeks a great deal of attention has been paid to the unemployment problem in this country, and various devices for solving it have been put forward. The separate (and frequently conflicting) proposals have been in turn the outcome of different views regarding the precise nature of the evil to be overcome. The latest controversy contains nothing that is new—it covers the same ground as earlier ones. Even the proposals of the Labour Party for linking up export credits with orders, on Government account, for standardised exportable goods were advocated, with certain safeguards, by the present writer in the pages of this journal several months ago. The controversy will no doubt be repeated, in its essentials, twelve months hence. For the problem is one which will exist for a generation. We are in the grip of world forces, which can only be effectively controlled by international action.

To some people the problem is mainly financial. They point to the currency statistics of European and other states, the abnormalities presented by the foreign exchanges and the weight of taxation, and seek a remedy in currency reform. But both inflation and deflation are recommended in this connection. Others contend that the currency position is but a symptom of a disease which lies deeper, namely, the industrial collapse of Central Europe. "Let us ignore Central Europe," cries a third group, "and concentrate attention upon the rest of the world, which provides a sufficiently large market for all we can produce." "How can we do that until we have reduced costs?" replies another group, "foreign customers will not buy at present prices, which are already below cost. Wages must be reduced." But their opponents retort that "a fall in wages reduces purchasing power, which is a condition of effective demand, and intensifies the depression." What, then, are we to believe? Did the banks act wisely in restricting credits last year? Does the Bank of England

retard the recovery of trade by maintaining a high rate of discount? Is the policy of reducing wages inevitable? If not, is it wise? Will it accelerate or retard the return of prosperity? Is the present depression of trade intensified by the indemnity policy? Would the cancellation of inter-Allied debts remove a serious obstacle? Should we, and, as far as possible, the States of Europe, restore gold to its old proud position in the currency system? These and similar questions must frequently occur to those who are earnestly seeking the truth. An attempt will be made to answer them in the present series of articles.

Before we proceed to examine these questions in detail reference may be made to two preliminary essentials of economic health. The first is a comparatively stable currency. A *perfectly* stable currency has never yet been achieved. For some years before the Great War the currencies of all countries had been growing more rapidly than requirements, thanks mainly to the flow of gold from South Africa and the growing use of credit instruments, such as the cheque. The result was an upward trend in prices, checked occasionally by slumps in trade. The almost continuous fall in the value of the currency meant that people who saved were penalised, while real wages and salaries also suffered. But the pre-war rise in prices was, after all, comparatively slow and steady; its effects could be largely discounted in advance, and adjustments could be made in a leisurely manner and with comparatively little disturbance. The fluctuations since the outbreak of war—and particularly since the armistice—have been far more violent and their effects far more serious. Contracts have been upset; owners of capital have suffered what is in effect a heavy tax on their wealth; debtors who borrowed before the war pay back much smaller real amounts (purchasing power) than they borrowed, and have thus received, in effect, considerable bounties. Saving has been strongly discouraged. Trade, too, has been rendered exceedingly difficult and speculative. Before the war the steady rise in prices resulted in a re-distribution of wealth in favour of ordinary shareholders, and to the injury of those who sought security rather than high dividends; but the re-distribution of wealth since the war has been on a far greater scale, and with more injurious effects. Stability of currency and prices is thus to be sought, not as an end in itself, but as a means of preventing any further effects of the kind indicated above.



It should be observed, however, that a stable currency is not necessarily a currency of unchanging value, but, in theory at least, may be one whose value is changing slowly, but in a way which can be anticipated, and therefore discounted. Such a currency was clearly what the Currency Committee had in mind when it advocated a return to the gold standard by a process of slow and steady deflation.

The second condition refers more particularly to this country. It is a truism that we exist by means of international trade. We import most of the necessities that we eat and a considerable proportion of the raw materials required by manufacturing industries. In return we exported coal and manufactured goods, such as steel, textiles, etc. But we did more than that. A considerable percentage of our total exports represented the investment of capital abroad, that is, it was paid for by the import of securities. By such means were the new countries enabled to develop their resources. One country after another became our debtors. At one time it was the United States, then Argentina and other countries, and, in the present century, Canada. Our exporting industries had been developed on the assumption that such export of capital, or investment abroad, would continue. If, for some reason, it had ceased, the result would have been a long and severe depression in this country. But it continued, with but moderate fluctuations, until the outbreak of war. The industries remain; the producing capacity of this country continues to be of the same nature as before. But we are no longer exporters of capital; other countries are not developing their resources. The industrial equilibrium of the economic world has been, for the time being, completely upset. It follows that if we are to recover our trade we must resume the rôle of investor. And other countries must become borrowers of the capital which we offer for investment. Here, obviously, is one important clue to the remedy for existing evils. If we are faced with a generation of political instability; if genuine industrial expansion in foreign lands is to be postponed indefinitely and the opportunity for investment abroad thereby seriously curtailed, the necessity for readjusting our chief exporting industries to meet the diminished requirements of the world will become urgent and obvious. But it is too early yet to contemplate such a calamity.

Attention may be drawn at this stage to one further preliminary point. The Treasury note at present, like gold

before the war, is legal tender: that is, payment in Treasury notes constitutes a final discharge of a debt. In international trade the bill of exchange is usually employed as the medium of payment; but a bill is not legal tender. A foreign contract is settled, in law, in the currency of the State of either the buyer or the seller, according to the terms of the contract. There is no such thing as international legal tender, nor yet an international unit of currency. There is therefore present, in international dealings, an element of uncertainty which does not exist in internal trade. Before the war this element was so small as to be almost negligible, but to-day it has become the most important single factor in many dealings with foreigners. There is no question of the rate of exchange between London and Liverpool, though there might conceivably be difficulty in one town in finding money against which to draw cheques in payment of debts due to the other. A cheque drawn in Liverpool, if honoured, is worth as much to the Londoner when Liverpool is heavily in debt as when the town is a big creditor. The ultimate form of payment—the legal tender—possesses the same value in all parts of the country. But a cheque drawn, in marks, upon a German bank in favour of a London creditor, is not worth the same to the latter as it was three months ago, although the ultimate form of payment—marks, the legal tender—probably possesses nearly the same value in Germany, and in all parts of Germany. The point may be stated otherwise. A contract in marks on a given date corresponds to a contract in pounds of a given amount; at any subsequent date it will be the same in marks, but may be quite different in pounds. This additional element of uncertainty makes international trade far more speculative than domestic trade, and is clearly exercising a seriously disturbing influence. Can it be removed, either by means of an international unit of currency or in some other way?

*(To be continued).*





## THE BUSINESS MAN'S VIEW, XII.

### The Slump in Trade.

IN his address to the shareholders of Messrs. Bolckow, Vaughan & Company, Limited, Sir J. E. Johnson Ferguson goes very minutely into one of what he believes to be the three main causes of the present depression and unemployment. The first two, poverty resulting from destruction of capital during the war, and the dislocation caused by the collapse of exchange, he leaves for others to develop. The third, the enormous increase in the cost, and therefore the price, of the various articles produced, and the impossibility of giving any definite undertaking as to delivery, due to the way in which output has been interfered with by strikes, he discusses in considerable detail.

"It is no secret," we are told, "that foreign iron can be bought in any quantity, delivered on the North East coast, for at least 15s. a ton less than it can be produced in this country, which means that it can be produced on the continent at 24s. to 25s. a ton less than it can be produced here." Sir Johnson Ferguson maintains and sets out to prove that there is, nevertheless, a possible margin of reduction in wages and other costs of production amply sufficient to enable us to compete again in the world's markets without going down to the pre-war costs. To this end the Chairman shows the rise both in the total cost of production and in the wage cost per ton of finished steel as produced at his Company's works during the years ending June, 1913, and June, 1920, the latter of which is the last full year before the depression in trade began. The figures given include the wages spent not only in producing the article itself, but also its constituent elements. The figures are, moreover, averages for the entire year and for the whole concern, they are the average costs of all the coal and all the steel produced by the Company during the year.

The average total cost of one ton of finished steel in 1913 was 110s. 3d.: the corresponding cost in 1920 was 363s. 3d., or rather more than  $3\frac{1}{4}$  times what it was in 1913. The details of how these costs are made up are as follows:—

		1913	1920
Wage cost of 1 ton of ironstone	-	2s. 3d.	8s. 4½d.
" " coal	- -	6s. 4d.	22s. 10½d.
" " limestone	-	1s. 3d.	4s. 6d.



That is to say, the wage cost was in every one of these articles more than 3½ times what it was in 1913.

In the blast-furnaces coke, and not coal, is used to smelt the ironstone. The wage cost of producing a ton of coke, including national insurance and accident compensation, amounted in 1913 to 13s. 0.8d., and in 1920 to 50s. 8.8d., showing a rise of more than three and three-quarter times the wage cost of 1913. The wage cost of a ton of ordinary iron (i.e., iron made from Cleveland ironstone and sold as Cleveland iron for use in the manufacture of ordinary steel) amounted in 1913 to 29s. 10.1d., and in 1920 to 123s. 9.9d., showing a more than four-fold rise in the wage cost. The wage cost of a ton of finished steel in 1913 was 68s. 5d., while in 1920 it was 292s. 6.6d., or four and a quarter times higher. In 1913 the wage cost of a ton of finished steel represented 62 per cent. of the total cost, while in 1920 it represented 81 per cent. The portion of the total cost other than wages amounted in 1913 to 41s. 10d., in 1920 it was 66s. 8.3d., or one and a half times what it was in 1913. To summarise, the increase in cost of a ton of finished steel in 1920 over 1913 was 253s., of which 228s. 2d. went in wages and 24s. 10d. in other charges. The enormous rise which has taken place in the cost of production is therefore chiefly due to the rise in wages, but this rise is not represented entirely by actual increase of rates but by the shorter hours worked and the smaller amount of work per hour.

But these high wage costs of production do not mean that good wages are pouring into the pockets of the workers, enriching them and stimulating other industries. A summary of the principal stoppages and interruptions in the output of steel during the years 1919-20, showed that there was hardly a month during the two years when the Company's works were not held up at some point, either by disputes in their own concern or in some other concern on which they were more or less dependent. Trade disputes alone during 1919, accounted for a loss of output of finished steel at one works of over 90,000 tons, while in 1921 it amounted to 47,000 tons. The whole of that steel, had it been made, would have gone away in execution of orders then urgently wanted, but most of which were afterwards cancelled owing to delay in delivery. A part of it would have gone abroad and to that extent helped to pay for imports into this country. The increased output would have diminished our costs, and therefore have been to the benefit of this concern. But it would have done

more than that. The wage cost of a ton of finished steel in 1920 was £14 16s. The loss therefore of this 137,000 tons means that something like a million and three quarters less in wages was paid to the workpeople than they might have received. It is the men themselves who suffer mostly by action of this kind. Unless this sort of thing is put an end to, and there is reasonable hope of being able to state a time by which orders can be executed with confidence that the time fixed will be adhered to, we cannot hope that buyers in foreign countries will give us their orders

### **Profit Sharing in the Mining Industry.**

A stimulating survey of the possibilities of what he terms the new profit-sharing system in the coal mining industry was given by the Right Hon. Lord Aberconway to the shareholders of the Sheepbridge Coal and Iron Company, Limited. The national agreement between the miners and the owners is to operate for at least twelve months and provides for a standard wage, and after that a standard profit. Any further surplus is to be divided in the proportion of 17 per cent. to the owners and 83 per cent. to the men. That establishes for the first time in the coal trade a big profit-sharing system. The men are now directly interested in the success of the collieries, just as the owners are, and Lord Aberconway was in hopes that if that agreement was loyally kept, the owners and men might agree to sink all petty differences and strive together to make the trade a success. The men were bound to protect the interests of their fellow-workmen, and the owners also were bound to protect the interests of the miners in securing that large percentage of profit which the men would obtain if the mines were a success. That meant that they would have to work the pits to the very best advantage. Pits that were losing money must certainly close down, and unprofitable districts in good collieries would have to be closed too. In asking the owners to work unprofitable districts, the men would only be depriving the great body of miners of profits they were entitled to share, because every pit or district worked at a loss lessened the amount of profit to be divided between the men and the owners, of which the men got the greater share. The owners were now really trustees for the men, and he hoped it would be understood by the men that they must work the pits on these lines. To the miners he would say, "You joined in smashing the coal trade during the last three months, you allowed the safety-men to be taken out,



you did nothing to prevent the flooding of the pits, and now you will have to abide by the result." The result was that we lost temporarily the whole of our foreign markets and we paid away five millions of money for foreign coal. Not only did those who supported the coal strike smash the coal trade. Blast-furnaces, rolling mills, iron foundries, steel foundries, shipyards and engineering works had all been badly hit and, taking them altogether, were not working more than a quarter of their normal capacity. Hundreds of thousands of skilled men were idle to-day simply as a result of the strike which had smashed the trade by which they earned their living. We could not now compete with the foreigner owing to the high price of coal. He did not see much prospect of improvement unless the men came to the country's assistance in agreeing to modifications of existing customs, price-lists and restrictive conditions, and considered what they could do to improve matters.

Lord Aberconway pointed out that the strike lessened the coal output in the Sheepbridge Collieries by 712,000 tons, and the men lost some £700,000 in wages. Had that money been invested by the men they could have bought a controlling interest in the whole of the Company, including all the iron works. During the financial year the output per man per day had fallen by four per cent. as compared with 1920. Wages had increased 3s. 4d. per man per day as compared with 1914. A coal-getter's wages at June 30, 1914, were 23s., as compared with 12s. in 1913, and the output per man for all the men employed was 158 tons in 1921 as against 372 tons in 1913. Could any figures be more significant? During these years men have worked with less and less result as wages increased. Surely it is quite time that the men recognise that they must co-operate with the owners in every reasonable way in order to provide full employment in the coal industry. The owners are the trustees of the miners—it is they who have established collieries, who have studied prices and foreign markets, and worked to bring business to their pits in order that the men might get wages. They have struggled for years to improve the position of the miner and, by establishing the coal trade on a firm basis, to give him security of employment. What has happened? The extremists kicked away the ladder the owners had been slowly mounting, and unless the majority make it certain that it will not be kicked away again, there is very little prospect for the future of the coal trade in this country.





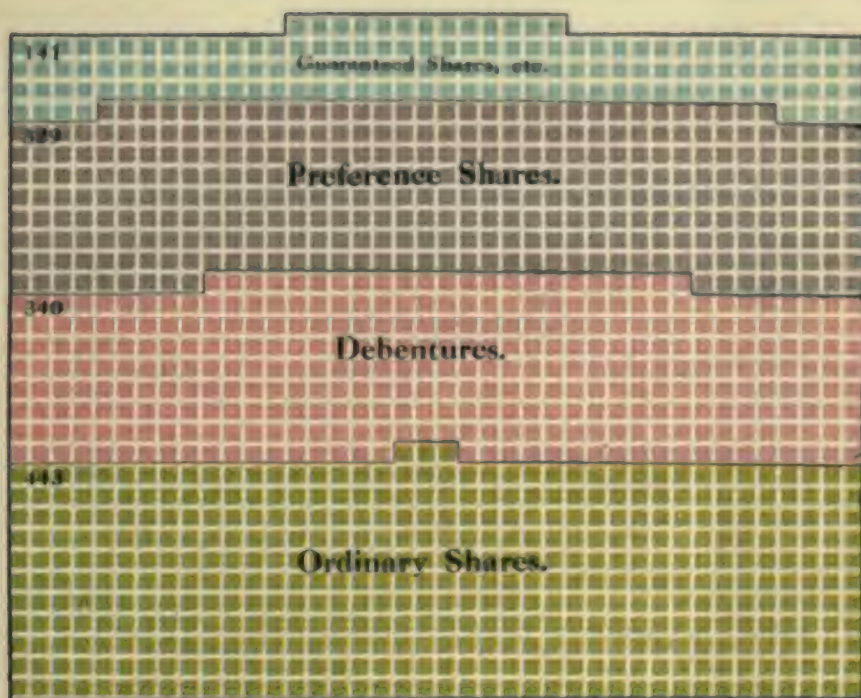
## THE FACTS OF THE CASE IN DIAGRAM, XVIII.

OF all modern institutions there is none more typical of the capitalist order of society, in certain aspects, than that development of railway systems which almost invariably accompanies the sort of progress that goes by the name of civilisation. The Arab Sheik, to whom time is no object and whose dinner consists of dried dates, may find the camel an all-sufficient means of locomotion, but his people will remain poor in material possessions, weak in numbers and of little account in the hierarchy of nations. Modern civilisation, with its demand for a higher standard of living, cannot exist without large-scale industry and foreign trade, and these cannot be developed without the help of railways. But railways cannot be built until sufficient funds have been saved out of the profits of industry to pay for their construction, and the amount of capital required for this purpose is so large that nothing short of savings on a national scale is sufficient to foot the bill.

Whilst not denying that railways, under private enterprise, have benefited the whole nation by cheapening commodities, by increasing the mobility of labour and by the many other services which they perform, Socialists are strongly opposed in general to the private ownership of the machinery of transport, and object in particular to the permanency of the claim which those who provided the capital have upon the earnings of these and similar undertakings in perpetuity. It is urged, for example, that the capital expended on the manufacture of a locomotive should not continue to earn dividends after the engine itself is worn out and scrapped—and at first sight it looks as if such a contention is not altogether unreasonable. When, however, the matter is examined more closely it is easy to see how unjust and how impracticable it would be to expect people to invest their savings in a venture which gives no security. Under such a system as that proposed a collision or other accident, for which they are in no sense responsible, might deprive the investors of their capital at any moment, and it is certain that nobody would look at such a proposition, with the result that there would be no railways.

## DIAGRAM No. 32.

(Note.—The figures in this diagram indicate the number of squares in each group.)



## CAPITAL INVESTED IN BRITISH RAILWAYS.

Scale: each square of colour represents one million pounds sterling.



As things are, however, the particular dilemma in question does not arise in the acute form postulated by Socialism because capital invested in railways is neither endowed with immortality nor even immune from sudden and premature death. Nominally railway stocks and shares retain their face value, but in practice they are subject to fluctuations whose average tendency is downwards.

Diagram No. 32 shows that part of the capital invested in the railway systems of the United Kingdom which still remains on record. There is no means of ascertaining the amount of that other part of the original investments which has been lost irretrievably and written off. The diagram represents a total of twelve hundred and fifty-three millions of pounds, and shows how this amount is distributed between the different classes of shareholders. The sections marked "Guaranteed Shares" includes the holdings in railway lines that are leased at fixed rentals.

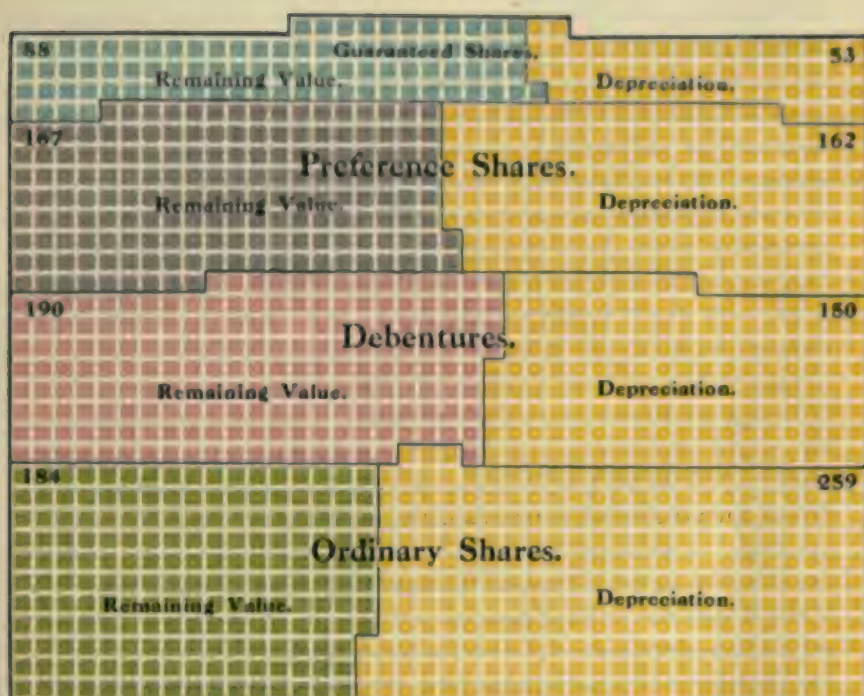
Diagram No. 33 deals with the same material and on the same basis, but it goes further and shows to what extent railway securities had depreciated in value by September 1921. It will be seen that the number of squares representing "Remaining Value" and "Depreciation" is approximately equal (viz., 629 to 624) which means that practically half the value of the recorded capital invested in British railways has disappeared. As might be expected the bulk of the depreciation has occurred in the holdings of ordinary stocks and shares, but even the holders of Preference securities have lost very nearly fifty per cent. of their property, when calculated at the prices ruling on the London Stock Exchange in September 1921. It is true that this loss is not absolute because there is a possibility that British railway securities may recover to some extent when industry and trade revive—but against this chance must be set, for the time being at any rate, the general depreciation in the value of money and, more permanently, the improbability that railway earnings in the future will be sufficient to admit of the payment of dividends at the rates of interest to which this generation has become accustomed.





## DIAGRAM No. 33.

*(Note.—The figures in this diagram indicate the number of squares in each group.)*



## DEPRECIATION OF CAPITAL [BRITISH RAILWAYS].

Scale : each square of colour represents one million pounds sterling.

## TRADE BOARDS.

(By an Appointed Member.)

THE Trade Boards Act, 1909, provided for the establishment of Boards for fixing legally enforceable minimum wage rates in four trades in which the workers were paid abnormally low wages. In 1913 the Act was extended to cover four additional (specified) trades in which 'sweated' conditions prevailed. During the great war the rates established under the Act were largely inoperative. In a large group of industries the wages of women workers (who were mainly affected by the Acts) were determined by Statutory Rules and Orders issued by the Ministry of Munitions; and so great was the demand for workers in all industries that the actual wages earned by women employed in the pre-war 'sweated' trades moved in sympathy with those specified in the Orders. The Trade Boards Act of 1918, which amended and extended the earlier acts, was the inevitable consequence of wages legislation during the war. It followed the lines recommended by the Whitley Committee on Industrial Relations, and received the blessings of the industrial community. The Act revealed a change of emphasis. The Minister of Labour was empowered to set up, after enquiry, Trade Boards for those industries in which the machinery for establishing satisfactory wage rates, by voluntary agreements, seemed to be inadequate. It was not necessary that the wages, at the moment, should be abnormally low; it was not, indeed, necessary that the workers should be wholly unorganised. In a considerable number of industries employing, in the main, unskilled labour, a large proportion of the workers, both male and female, had become members of various unions of general workers. But, first, such unions, even if they acted jointly, might be unable to secure 'recognition' from the employers, who were themselves unorganised and therefore compelled to act separately. Secondly, the rival unions among which the workers of a particular industry were distributed, unlike the complementary unions found in the engineering and allied trades, were not always likely to co-operate to secure better conditions for their members. The industries, regarded as units, were thus not provided for, and the workers were exposed to dangers hardly less serious than if they had remained unorganised.



A Trade Board consists of representatives of workers and employers (appointed by the Minister after consultation with the parties concerned) and, in general, three 'independent' members appointed by the Minister. I am an 'appointed' (i.e. Independent) member of some of the Trade Boards set up under the Act of 1918. I regret the attacks which have recently been made upon the Act and the Boards. I have no financial interest in any manufacturing industry, though I have had more than one opportunity of observing the difficulties and risks to which industries are exposed. At one time I doubted not only the possibility but even the value, to industrial workers, of minimum wage legislation. My experience on Trade Boards has led me to believe, however, that the Acts of 1909 and 1918 represent the most important and valuable industrial legislation of modern times. And I have endeavoured to examine the Acts not merely from the point of view of their immediate effects upon the wages and lives of the workpeople affected, but also from the point of view of their ultimate effects upon the industries to which they have been applied. I welcome the newly-formed Committee of Enquiry into their operation, for I believe the Committee will endorse my views. I do not suggest that the Acts are not in need of amendment; nor do I contend that the Boards have always acted wisely or that the administrative machinery is perfect. Far from it: I wish to be as impartial in estimating the worth of all these as I endeavour, as appointed member, to be in judging the merits of a discussion; and I shall discuss faults as well as merits. But even as they exist at present, some Trade Boards are more useful and successful than some Conciliation Boards and Joint Industrial Councils.

The critics of Trade Boards are legion. With some I have considerable sympathy: for others nothing but contempt. There are generous-minded, progressive employers who desire to see the Boards abolished, not because they are anxious to reduce wages—they are professed enemies of 'sweating'—but because they believe that a *universal* minimum wage should be established. Their view is worthy of careful consideration, which will be given in the third and concluding article, when the features of the existing machinery have been discussed. But not all critics are of that type. Some employers are eager to abolish Trade Boards in order that they may be free to pursue their old method of making individual arrangements with their workers. Without imputing the deliberate intention of exploiting the latter without mercy



it may be stated, in reply, that the net result of such a method in the past was precisely the evil which roused such indignation before 1909 and led to the first Act. The day of the extreme individualist in industry is over, and he may as well reconcile himself to a state of more real freedom, in which he will be penalised if he is inefficient, but (because his rival will stand on the same wages platform) only if he is inefficient. Unfortunately his case has acquired an appearance of strength on account of the present depression of trade, which led even some magistrates astray, and caused them to forget that their sole task is to administer existing laws. Nevertheless their criticism applies, with no less strength, to voluntary conciliation boards and collective arrangements made for industries under their control. But I have seen no attacks upon conciliation boards in the daily newspapers which have recently been conducting a merciless campaign against trade boards. Standard rates and conditions of employment have been accepted as inevitable, if not wholly desirable, by even the most reactionary newspapers or trade associations. It may be urged that the real objection is not to the standardisation of rates, but to the imposition of excessively high and unresponsive rates by an expensive bureaucracy. Three questions arise from that statement. First, is the machinery expensive? Secondly, are the rates fixed by officials? Lastly, are they excessive? The first can only be answered by a comparison of the cost of operating the Act and the expenses incurred by conciliation boards. But the statement, which is sometimes made, that appointed members are merely highly paid officials is quite untrue. As appointed member I am paid first-class railway fare and three guineas per day fee, including expenses. If one-half be reckoned for hotel and other expenses, I am left with a guinea and a half for each full day's attendance, which may cost me three times as much in other directions. I know no appointed member who does not, on the whole, suffer a net loss for his work. One member known to me sacrificed £70 in order to attend an important trade board meeting. Certainly no one I know would undertake it for any financial gain to be secured.

*(To be continued.)*

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## THE BLUE BOOK WORM, VI.

1. First Annual Report of the Forestry Commissioners.  
No. 128, 1921 9d. net.
2. Report of the Committee on Child Adoption.  
Cmd. 1254, 1921 2d. net.
3. Interim Report on the Civil Administration of Palestine (1st July,  
1920, to 30th June, 1921). Cmd. 1499, 1921 3d. net.
4. Final Draft of the Mandates for Mesopotamia and Palestine.  
Cmd. 1500, 1921 2d. net.
5. Second Interim Report of the Committee on Inland Waterways.  
Cmd. 1410, 1921 1d. net.

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IN the period preceding the war the consumption of wood, the bulk of which had to be brought from abroad, was increasing, and on the outbreak of war the provision of timber for military and ordinary needs became a very serious problem. The German submarine campaign against our shipping made it increasingly difficult to import the timber essential to our industry. That crisis was relieved, in part, by wholesale felling of home timber. The forestry policy of the present Government is an attempt to embody the lessons of the crisis. In any future war we must be able for a period of years to dispense with foreign timbers: and this means both that felled woods must be replaced and that fresh forests must be planted. The Reconstruction Committee, of which Mr. F. D. Acland was Chairman, produced its report on the whole question in 1917. The policy of the Acland Report was accepted by the Cabinet and the Interim Forest Authority was set up. The present Commission was established by the Forestry Act of 1919, a block grant of 3½ millions being given it to be expended over an initial period of ten years. The "ultimate objective," viz., "the creation in Great Britain and Ireland of reserves of standing timber sufficient to meet the essential requirements of the nation over a limited period of three years in time of war or national emergency," cannot be reached in less than eighty years according to the Acland Committee. Several considerations make it practically



certain that without State help and guidance such a programme of planting could never be carried out. Certain counties possess the personnel, the centuries of experience, the science and the cultivated forests which make forestry a great thing in the life of a nation. Despite our three million acres of woodlands we are little better than beginners in all that good forestry should mean. Under the Forestry Commission a methodical, prudent and scientific start is now being made by the provision of forestry education and the acquisition of estates and actual planting and also by experimental work, most of which is being done on the lines of the ten-year scheme of the Acland Report.

Sir Alfred Hopkinson's Committee on Child Adoption evidently enjoyed its task. It has produced an emphatic report on the main question, not to mention an interim declaration in favour of the legitimation of children by the subsequent marriage of parents. The sanction of law, the Committee thinks, is needful for adoption, and the need, owing to the breaches made in families by the war, is urgent. The proposals are (1) formal legal adoption by sanction of the County Court, a measure of supervision by this Court also being contemplated, and (2) the extension of the Children Act, 1908, to informal adoption of the ordinary sort. This project of reform is partly legalistic, but much more humanitarian, inasmuch as it bases itself on the interests of the children. Those who think the rights of parents should under no circumstances be restricted and those who have a nervous dread of all inquisitorial tendencies will disagree with the Committee. But there are parents and parents, inquisitions and inquisitions. The legislative safeguarding of children is not yet a closed chapter of British history. The Committee's findings have strong support in the experience of social workers, who are best acquainted with the facts which in the mass call for the reforms which the Committee suggests. The Committee, moreover, is but following the example of Roman law and of the legal systems of most civilised countries in seeking to give a legal basis to adoption. But, granted the principle for which the Committee is contending, the provisions for adoption require close study in detail, and the Committee does not appear to regard its own enquiries and suggestions as quite final or complete.

Sir Herbert Samuel's report on the administration of Palestine is a model. Great Britain as Mandatory holds Palestine explicitly for the purpose of turning it into a national home for the Jewish race. The provisions of the draft mandate give bare, bald



outlines of policy. This interim report shows what is being done and what difficulties are being encountered. At present Palestine is not a land flowing with milk and honey. There is water, were but storage and irrigation channels available. There would be forests, if there were forestry. There would be peace but for the clash of racial and religious strife at home, and the fear of the rude dwellers beyond Jordan. Eye-diseases are rife, as of old. Illiteracy is common and the Moslems, who make up four-fifths of the total population of 700,000 (the Jews are but a tenth) resent the prospect of Palestine being judaized. The Zionist propaganda brings immigrants not too few but rather too many for the country to absorb satisfactorily. Between September 1920 and May 1921 10,000 arrived, 8,000 of them brought by the Zionist organisations which co-operate closely with the British administration and are recognised in the draft mandate. It is a brave and sympathetic and methodical attempt at conciliation and reconstruction that is chronicled here. Great as its success has been, it would have been greater but for lack of money. Ratification of the mandate will give the power to borrow.

The presentation of an interim report by the Waterways Committee has been due to the Railways act recently passed. The Committee is anxious to safeguard the canals from the inroads of railway competition and also to apply to the canals the principle of amalgamation which has been applied to railways. The Royal Commission of 1906 recommended unification of ownership under the state. Mr. Neville Chamberlain's Committee, regarding nationalisation as impracticable, proposes that Public Trusts should be set up for the seven main systems of canals, e. g., (1) Trent and connections, (2) Yorkshire canals, (3) Lancashire canals, etc., the Trusts to include representations of the State, regional public bodies, stockholders, and trading interests. The Trusts would have rights over all waterways, whosoever the present owners might be, in their area, and would act as carriers as well as toll-takers from bye-traders. Unfair competition by railways, the Committee thinks, would have to be forbidden. There is no doubt that the canals, as at present owned piecemeal and unable to raise money, need re-organisation and help to make them efficient. Whether their efficiency would be an economy to traders is perhaps doubtful. The Committee wishes to make a beginning with the Trent system, so that 120-ton barges may ply between Hull and Nottingham. Such an experiment would clear up the issue, in a measure, at a cost of no more than half a million. The Committee is doubtless right in thinking that

work exists for the canals, and in seeking to promote their efficiency, and also in its view that the means to efficiency are unification and fresh capital. Sir W. M. Acworth has signed the report but with very serious reservations. His addendum is a reminder that historically the railways superseded the canals, and his allusions to the Erie canal and the Rhine suggest that the supersession is still proceeding. He objects to proceeding with the Trent scheme until a thorough statistical survey of the traffic of that region is available. He objects, further, to State help, on the specific ground that if the Trent Canal Trust, by the help of State money, succeeded in bringing down railway charges within its region, the other areas served by the now amalgamated East Coast railways might have to pay higher rates in order to maintain the level of net receipts. Unfair competition, whether of railways against canals or of canals against railways, is not desired by any party. If a statistical enquiry made it appear probable that there is traffic enough in the Trent area both for the existing railways and a reconstituted canal system the way would be smoothed for the experiment which Mr. Chamberlain's Committee wishes to see tried.



## FOOD FOR THOUGHT.

FIFTY months have passed since *Industrial Peace* made its first appearance, and the writer of these notes is tempted, on that account, to look back across the gap of the intervening months and, in comparing the present state of British industry with that existing in the autumn of 1917, to consider how far the anticipations framed and the warnings given in these pages have been justified by events. \*The chief impression which such a retrospect leaves upon the mind is very similar to that experienced by a traveller who finds himself in an unknown country with night coming on and home not yet in sight. Doubts come thick and fast; he begins to pick his way more carefully and even to wonder whether a wrong turning taken earlier in the day has not led him off the track which he intended to follow when first he set out on his journey. At such a time there is only one thing to do, and that is to get out one's map, set it by compass bearing and recover confidence by recognising familiar and well-proved landmarks.



In our case this kind of procedure is often called for, because as month follows month and each brings its own problem, the questions with which we have to deal tend continually to become more and more complicated and perverse. Plain issues that four years ago seemed almost too obvious for comment have now been obscured by the vapours of uncertainty that emanate from the cockpit of partisan strife. The truth has been pulled this way and that way until it is twisted into knots that only time can unravel. New values for old things have been invented by factions for the exigency of the moment and then forgotten or modified out of all recognition until the final outcome is too uncertain to define and too illusive to nail to the counter. Phrases uttered by one party mean something quite different when interpreted by the others and a new Tower of Babel has been built wherein men speak a language which makes use of the same words to express thoughts that have nothing in common.



Under these circumstances it is refreshing to get back to first principles and, for our own satisfaction at any rate, if for no better reason, to reassure ourselves that we stand to-day



for the same ideals and believe in the same broad lines of policy that led us to embark upon the publication of this journal in the first instance. If, after all the experiences and added knowledge that the last four years have brought in their train, we had to revise the earlier numbers of *Industrial Peace* there is hardly a word that, in our view, would require alteration or abatement. Such a confession lays us open to the retort that we have failed to move with the times, but we submit, on the contrary, that we have not shirked the responsibility of tackling even the most contentious and topical of problems, and that we have done so without departing from any of the principles which we professed at the outset. The reason why we have been able to combine consistency with progress is the simple one that we took our stand from the beginning on the determination to prefer the long to the short view, to base our theories on the bedrock of facts, to appeal to reason rather than to sentiment and to pursue the truth even when such a course appeared to be to our own hindrance. Had we taken a more devious and, incidentally, perhaps, a more popular road, our circle of readers might have been larger—but there would be no health in us, and it would have been better had the journal never been born.

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In his speech at Liverpool to the Incorporated Society of Accountants, Sir Josiah Stamp laid stress upon the services that accountancy can render in the field of economics. He gave it as his opinion that abstract methods of investigation have carried us as far as we are likely to advance in the direction of elucidating the laws of economics, and that the next forward step must come through the application of statistical methods to the great mass of business data of which accountants have the sole monopoly.

Sir Josiah Stamp was addressing experts and naturally, therefore, expressed himself in technical language, but his point is the very simple one that it is only on the widest basis of ascertained facts that the science of economics can be of practical assistance in solving industrial problems. Economic truth will never play the important part that it should do in our national life until it is supported by a mass of facts and figures which are readily accessible and which can be applied directly and promptly to the concrete questions when and as they arrive for settlement. People who have not essayed the task of investigating social and industrial tendencies can have no idea of the

difficulties that confront the enquirer in his search for comprehensive and reliable facts. Most available records are incomplete, inapplicable or out of date, and it is but rarely that investigations can be pushed to their conclusion.

Sir Josiah Stamp's plea is especially timely just now, when Government departments and business firms are tempted to practice penny wisdom at the expense of pound foolishness by the false economy of putting a stop to the collection of essential statistical information. The value of such data depends on their continuity and when this is broken the damage is likely to be irreparable.



The Industrial Welfare Society, which exists for the purpose of fostering true co-operation in industry by strengthening the individual feeling of responsibility, is now making a strong appeal for wider support from industrial organisations. The Society, we are justly reminded, has during the last three years made a deep impression upon the minds of men throughout the world. The Council feels that the time has come when the burden of organisation should be shared by all who have at heart the future well-being of industry, and shareholders, bankers and professional men are specially called upon to take a hand in extending the movement. Thirty-three signatures of well-known leaders in industry—employers and trade-unionists—are appended to the appeal which, for lack of space we are unable to reprint in full, but the spirit and breadth of the organisation can well be gauged from the following abstract of the Society's manifesto.



To those who look beneath the surface there are signs that the old controversial bitterness is giving place to a real desire for mutual understanding and a spirit of reasonableness and compromise. But mere desire is not enough. If men desire peace they must prepare for it by more earnest co-operation than they have been accustomed to in the past. Praiseworthy attempts have often failed hitherto because too much has been expected of human nature. The controversial problems of the Trade Union and Trade Board official are not suitable objects for the attention of the Welfare Committee. The ordinary worker is perplexed by a wide range of personal problems—domestic, social, mental, physical—which can be solved with little effort by an experienced and sympathetic hand. It has been amply proved by a large



number of employers that the present industrial system can with ease and great advantage include this work within its scope, but there is need for an extension of this movement *until its influence is felt in every place of work in the country.*

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Another movement of an entirely different character, but equally closely related to the question of equilibrium in industrial relations, has for the first time been given definite shape by the action of the Society of Technical Engineers. This Society is registered as a trade union, but recognising the difference between the nature and functions of the labour union as compared with its own, the members refused to accept the customary trade union mould, and have now issued a statement of what they collectively consider should be their relations towards employer and employed.

§ § §

The objects of the Society are divided into two groups—First, those connected with the interests of individuals and of the profession; and, secondly, those connected with the advancement of British engineering industries. In every action taken to secure any of the objects in the first group consideration will be given to the effect of that action on the firm to which the members concerned belong, and the interests of the industry in general will also be kept in mind.

The Society will attempt to establish communications with employers individually and with organized employers in pursuit of both groups of its objects.

In dealing with the manual workers the Society will not associate itself with the Labour movement nor make common cause even with those connected with the industry, in pursuit of improved conditions of service.

It will, however, most earnestly seek to find some means of co-operation with unions of manual workers connected with the industry in pursuit of the second group of objects.

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A CORRECTION. On page 19, line 13, of our September number £25 should read 25s.

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## DAY BY DAY.

*(A monthly Record of the principal events, at home and abroad, which have a direct bearing upon the maintenance, or otherwise, of peace in industry).*

THE Ministry of Labour index number at September 1st was 120 per cent. above that of July 1914. The corresponding figure for August 1st was 122.

In the *Labour Gazette* for September the Ministry reply to the Labour Joint Committee's attack upon the accuracy of their index number, and satisfactorily show that their method and figures are correct in so far as they depict the percentage increase in the cost of maintaining the pre-war standard of living. They admit the desirability of a fresh calculation designed to measure the changes in the cost of maintaining a post-war standard of living, but state that the present times are too abnormal to justify any attempt to fix a new standard.

Changes in rates of wages resulted in a net reduction of about £690,000 in full-time weekly wages. About 3,160,000 workpeople were affected.

*Since the beginning of 1921 changes in rates of wages reported to the Labour Ministry show that about 6,000,000 workpeople have suffered a reduction of over £3,555,000 in their weekly wages. About 320,000 have received a net increase of £73,000.*

During August 105 trade disputes involved 26,000 workpeople in idleness and caused a loss of 200,000 working days. *During the first eight months of the present year approximately 84,000,000 working days were lost owing to trade disputes. About 1,680,000 workpeople were involved.*

There was a very slight decrease in unemployment during August. Among Trade Unionists 16.5 per cent., and among workers in the Insured Trades 13.15 per cent. were registered as unemployed. 1,573,000 were registered at the Employment Exchanges as unemployed, and 407,800 were working systematic short time.

**Sept.** The Newspaper Society supports the proposal of the Master Printers' Federation for a reduction of 7s. 6d. in the wages of all male adult workers.

The South Wales Miners' Federation has decided to reduce its rate of membership contributions by 50 per cent., the new rate being 1s. per member per fortnight.

Following on the refusal of the Poplar Borough Council to levy the rates, the Labour Mayor and thirty councillors were arrested and taken to Brixton prison.

**4th.** Cork Harbour employees, on strike for a minimum wage of 70s., are refusing to allow ships to leave or enter the port.

**5th.** The amalgamation of the West London Co-operative Society with the London Co-operative Society takes effect

to-day. The enlarged Society begins with 120,000 members, some 3000 employees, and a trading organisation of 250 stores and departments.

The Trade Union Congress opened at Cardiff. The President (Mr. E. L. Poulton) in his address favoured the policy of "revolution by evolution," and pleaded for unity and discipline in the ranks.

The harbour workers who are on strike at Cork threaten to take over the port and manage it themselves.

6th.

In a statement to the Northumberland Miners' Association Mr. Straker says that the amount spent in the past year in out-of-work and strike pay was £143,195. Financial benefits cannot now be paid, the fund, which took years to accumulate, having been swept away.

Cork Harbour workers carry out their threat and take control of the port. Later in the day as the result of conferences the strike was settled, the dispute being referred to arbitration and the men returning to work immediately.

At Dundee the police came into conflict with a crowd of unemployed, who broke the windows and doors of the parish council offices.

The Trade Union Congress passed a resolution calling upon the Government "immediately to summon Parliament and to introduce practicable schemes of work without delay with the necessary financial provision, and further to remove the gross inequalities of rating obtaining in the London area "

7th.

The Trade Union Congress passed a resolution demanding the re-organisation of the League of Nations to provide for the "adequate democratic representation of all nations."

Processions of unemployed took place in many towns, and in Bristol the windows of several business premises were smashed. Thousands of pounds' worth of damage was caused by the smashing of windows at Dundee, and many people were injured.

8th.

"Red International" speakers were active in the debate on disarmament at the Trade Union Congress, and a resolution demanding the adequate representation of Labour at the Washington disarmament conference was carried. Resolutions protesting against the abolition of the Agricultural Wages Board and calling for the setting up of Trade Boards in all industries where the workers demanded such protection were also passed.

Further rioting took place in Dundee and many more windows were smashed.

A mass meeting of London C.W.S. workers, members of the Distributive and Allied Workers' Union, passed a resolu-



tion calling upon the Executive to ask the C.W.S. to refer to arbitration the proposed wages cut of 10 per cent.

By 1,624 votes to 37, Dublin Dockers have rejected the proposed wages cut of 3s. per day.

- 9th. The T.U.C. discussed a resolution in favour of the settlement of disputes without recourse to strikes. The resolution was lost, but nearly one million votes were cast for the motion.

A large demonstration of unemployed took place in Sunderland.

- 10th. Trade Union Congress concludes. A fresh ballot is to be taken to decide the membership of the new general council.

- 11th. The conference appointed to arbitrate between the Cork Harbour commissioners and the employees recommend that the transport workers in employment should get ten guineas each to cover claims for increased wages in respect of the period February 14th to September 10th, and an increase of £1 per month on present wages for three months.

- 12th. The police came into conflict with a disorderly crowd of unemployed at Liverpool and one hundred arrests were made.

A meeting of the Woolwich Labour Party to discuss unemployment was broken up by unemployed men.

1,100 Salford tramway men are on strike. The men refuse to work with a number of clerks and inspectors who have left the United Vehicle Workers' Union, to which the bulk of the men belong, in order to join the National Association of Local Government Officers.

Miss Sylvia Pankhurst has been expelled from the Communist Party of Great Britain owing to her refusal to hand over the control of *The Workers' Dreadnought*.

- 13th. A number of Portsmouth drapery firms were summoned for paying wages at a lower rate than that fixed by the Trade Board, and for not posting up the Board rates in the work-rooms. It was stated that the employees themselves were satisfied with the rates paid and had voluntarily petitioned the Ministry of Labour not to interfere. A nominal fine of 10s was imposed on one firm for the technical offence, and the Bench took the unconstitutional step of criticising the action of the Labour Ministry in endeavouring to get the law enforced.

- 14th. The N.A.E.E. have placed before the Government constructive proposals for dealing with unemployment. They suggest the preparation by local authorities of schemes of useful work, towards the cost of which loans amounting to 75 per cent. of the total should be advanced by the Government.



15th. Negotiations between the employers' and workers' representatives in the Soap and Candle Trades Joint Industrial Council on proposed wage reductions came to a deadlock. The proposed cuts range from 4s. to 11s. a week and some 50,000 men and women are affected.

Employers and employed in the sugar refining industry have agreed to a 5s. weekly wage reduction in three instalments.

South Wales patent fuel workers have agreed to a wage reduction of 1s. a day for day men and five per cent. for piece workers, making a total reduction of 3s. a day and 15 per cent., respectively, since August 1st.

16th. At Vickers' naval construction works, Barrow, 1,200 boiler-makers came out on strike because one man was in arrears with his contributions to the society and thus became a non-union man. The firm received no intimation of the men's grievance before the day of the strike.

Unemployment. The London Labour Mayors rejected the proposals put forward by the Cabinet Committee on unemployment and wired to the Premier that they would discuss the question with him in Scotland on Monday, September 19th. The Committee's proposals provide for the raising of loans for utility work by local authorities with a State grant to meet half the interest and sinking fund charges for half of the period of the loan.

18th. London Labour Mayors left for Inverness despite the Premier's message that, by the doctor's orders, he was forbidden to give official interviews.

Swansea Corporation staff agreed to accept a wage reduction of 10 per cent.

The Salford Tramway strike ended, the points at issue being referred to arbitration. The suspension of the tram service cost Salford £1,000 a day.

19th. The London Labour Mayors, on their arrival in Scotland, were informed that the Premier was too unwell to see them. They decided to wait for a day or two.

The Minister of Labour announced the appointment of a committee under the chairmanship of Lord Cave to enquire into the working of the Trade Boards.

Miss Sylvia Pankhurst will continue to publish *The Workers' Dreadnought* as she considers it vital that there should be an independent Communist paper, untrammelled by party bias.

Mr. A. J. Cooke, a member of the Miners' Federation Executive, resigned from the Communist Party because he believed their tactics to be destructive and disruptive.

The Premier summoned Sir Robert Horne, Sir A. Mond and Dr. Macnamara to meet him prior to his reception of the Labour Mayors on September 22nd.

A conference called by President Harding will open on September 26th to "enquire into the volume and distribution of unemployment, to advise upon emergency measures that can properly be taken by employers, local authorities and civil bodies, and to consider such measures as would tend to give an impulse towards the recovery of business and commerce to the normal."

Mr. W. Saunders Edwards was summoned under the Trade Board Act, 1909, by the Rope, Twine and Net Trade Board for paying less than the minimum rate of wages to 46 of his workers. A fine of 10s. in each case and twenty guineas costs was imposed.

21st John Maclean, the Glasgow Communist, was committed for trial on a charge of sedition.

Mr. J. R. Clynes, on behalf of the 69 Labour members of Parliament, requested the Speaker to consider the advisability of immediately summoning Parliament to review the problem of unemployment, and the Premier was asked to receive the new General Council of the T.U.C. and of the Labour Party, to discuss Labour's policy on unemployment, a manifesto of which is being published on the 22nd.

22nd The National Union of Ship Stewards, Cooks, Butchers and Bakers have seceded from the National Maritime Board. This is a sequel of the unsuccessful strike last May, when the union refused to accept the Board's award.

The Prime Minister discussed the unemployment problem with the London Labour Mayors. He promised to consider various schemes submitted, but insisted that the local authorities, manufacturers, bankers, traders and organised labour must co-operate with the central government in shouldering the burden. The Labour manifesto insists that unemployment is a national problem, but that the Government's policy places the burden on the areas already most heavily afflicted. It proposes to stimulate employment through Government orders for production, to be exported on credit to continental countries.

25th The Society of Technical Engineers (registered as a trade union) issued a statement of its policy and aims. See *Food for Thought*, page 56

26th The London General Omnibus Company have posted notices of their intention to reduce the wages of their omnibus staff on October 1st, by 3s a week. Drivers at present earn



£4 18s. 6d. for a 48 hours week, and conductors somewhat less.

London M P's met and appointed a committee to consider "certain practical suggestions for dealing with unemployment."

A deputation from the engineering and shipbuilding unions appealed to the Minister of Labour to take action to settle the wages dispute in accordance with Section 2 (1) of the Industrial Courts Act. Under the Act the Minister, if called upon by either party, is empowered to take steps to bring about the settlement of a dispute. The employers have given notice of their intention to reduce wages on October 12th by 10s, the amount of the Munitions bonus. The men, who accepted a reduction of 6s two months ago, are resisting the demand.

27th A serious dispute as to wages and profits has arisen in the South Wales coal fields. The owners contend that they are liable only for 46.23 per cent. of the wages paid during the current month. The Coal Mines Department of the Board of Trade hold that they are liable for 97.57 per cent. It is understood that many collieries will close rather than face the loss involved by the heavy price reductions.

28th The disagreement in the South Wales coal mines appears to have arisen over an accountancy error whereby the owners' percentage contribution to wages was calculated after deduction of standard profits. Under the agreement arrived at last July the Government subvention can only be drawn upon to bring wages up to the required level during September after the owners have contributed an amount corresponding to the net profits realised in July.

29th The Mines Department and the owners remain in disagreement as to payments to be made by each for wages in September, but the Department offers to submit the question to the arbitration of the Chairman of the National Wages Board.

30th The Agricultural Wages Board ends to-day and voluntary Joint Conciliation Committees will take the place of the District Wages Committees.

The National Federation of Colliery Enginemmen and Boilermen (the "safety men") severed their connection with the Miners' Federation.

Some 400 Leicester unemployed attempted a raid on the Trade Hall and Poor Law Offices. The disturbance was quelled by the police.



## "I.P." STUDY SCHEME.

This month sees the end of our first attempt to stimulate interest in the organised study of practical Economics. The work sent in for the final test was generally good, the most gratifying feature being the very obvious improvement shown in the way the question on economic theory was tackled. It is clear that the candidates applied themselves seriously to the subject and thus derived great benefit from the seven months' continuous study provided by the scheme.

But the real value of the work we have so far inspired is not to be looked for in the actual merits of the papers submitted in the competition, nor, we sincerely hope, in the monetary prizes. We are convinced that *one* step in the direction of industrial peace and economic stability will be taken when the knowledge of elementary and fundamental economic facts is as widespread as the arts of reading, writing and arithmetic. Our aim, therefore, is to encourage the few to go as deeply as they can into this difficult and complex science, so that they may be in a position to interest those with whom they come in contact in the simpler phases of the study.

Our students have learnt that Economics can be handled in a fascinating and live fashion. The character of many of the answers sent in amply proves this, and some Heads of schools have already introduced the economic aspect of history into their teaching. Many have shown how much more real and vivid their interest in social and economic machinery has become. The smallest detail of life acquires an unsuspected significance when one sees it as an inevitable effect of possibly remote causes, and attention is directed along scientific lines to the discovery and removal of the "remote cause," in place of belated and ineffectual attempts to efface the "inevitable effect."

We offer our congratulations to those successful candidates whose names appear on the next page as winners of the prizes awarded for the three best papers in each class. The prizes are of the value of £45, £25, and £15 respectively. In two cases candidates of equal merit have divided two prizes between them, and in two cases candidates have tied for the third prize.

## List of Final Prize Winners.

LONDON. 1st. Alice E. Pike, Lavender Hill; 2nd. Margery E. Freeman, Streatham; 3rd. Percival Lander, Clapham.

NORTH. 1st. George F. Thompson, Sunderland; 2nd. George P. Dunn, Corbridge/Tyne; 3rd. Frank Drake, Scarborough.

SOUTH. 1st. Hubert E. Clarke, Purley; 2nd. Albert A. Sainsbury, Harrow; 3rd. (bracketed), Frederick Smedley, Southampton, and T. H. Saunders, Bromley (£7 10s. each).

EAST. 1st. Agnes Canham, Hull; 2nd. Stanley H. Buck, Ilford; 3rd. Harry Divers, Stalham, Norfolk.

WEST. 1st. (bracketed), Percy Davies, Warwick, and James Andrew, Oldham (£35 each); 3rd. (bracketed), A. George Clarke, West Bromwich, and J. W. Goggin, Liverpool (£7 10s. each.)

WALES. 1st. David Samuel, Llanelly. 2nd. Jenkin S. Richards, Cardiff. 3rd. W. Howells, Swansea.

SCOTLAND. 1st. Archibald Neil, Glasgow. 2nd. (bracketed), William P. Masson, Whitehouse, and Robert Milne, Patna by Ayr (£20 each).

The following sent in papers worthy of special mention:—Emily C. Caw, Edinburgh; Henry Drake, Newcastle; Walter H. Gilby, Westminster; David Glickman, Manchester; Ellen E. Harris, Hereford; Eleanor M. Mather, Leeds; Alfred Rex, Wenvoe, Glam.

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No. LI  
**NOVEMBER**

MCMXXI

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“We stand either to fight it out again or  
think it out.”





# INDUSTRIAL PEACE

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# INDUSTRIAL PEACE

## IS ENGLAND ON THE DECLINE ?

THERE is no inherent absurdity in asking whether the days of England's greatness may not be passing away. Great nations have risen in the past to great power and built up high civilisations, only to decay and fall. What has happened before may happen again, or, rather, it will surely happen again. The fate of Rome, for instance, may become the fate of England. The rise of Rome was a progress not unlike what ours has been. Rome in her greatest days was a startlingly close anticipation of modernity. Rome fell, as several other great powers have fallen in recorded history, and England may suffer the same fate. Her doom may come in a different way. Some great powers have succumbed to blows from without. Others have perished by infections within, by insidious moral poisons or by slow disintegration through political vices or follies. Inward decay makes the task of the assailant easy and his success the more striking. Yet defeat by itself is no proof of decay. Whatever may be the manner or occasion or instrument of disaster, it is the inward factors making for decay that merit study by all Englishmen who love their country. For England has withstood since 1914 the heaviest blows from without. So great a display of strength might, indeed, be thought to prove that her path still slopes upward—unless it be that success has unbraced her, and left her a prey to domestic evils.

What is it that declines when the decline of a nation is meant? It is not a nation's numbers, nor the physical health of the people, though some nations have declined from lack of numbers and of bodily vigour. Nor is it their morals, in the strictest sense : though, again, some nations have declined by decay of morals in the narrow sense. Some private virtues flourish notably throughout the decline of a community. Let us seek a clue from the nature of progress. It may be said with truth that the one great difference between primitive and advanced communities is that the life and the work of the latter has been brought to a high level of organisation. That means that growth in knowledge and the arts has made possible a highly co-operative life. The most progressive races are those that excel in the extent and the delicacy and



the variety of their organisation. Their work is so arranged that the efforts of the most diverse persons and classes and crafts are directed to mutual advantage and convenience along a thousand channels. Daily and hourly men play into each other's hands, they rely and depend on each other, they enjoy innumerable reciprocities. In a word, they are, in all their activities, members one with another: they win their bread, they assure their prosperity and contentment, by nicely adjusted efforts within a common scheme of organisation.

Such is progress. Natural in one sense, progress, in another sense, is an amazingly artificial *tour de force*. Its artificiality lies in its being consciously planned by intelligence, and therefore less durable than if it were, for example, some simpler movement based on instinct alone. There is no limit to human ingenuity in the planning of co-operative schemes of life and work. There is no inherent certainty, or even probability, in any scheme that it will live. On the contrary the most ambitious and—to outward view—successful schemes of organisation bring this nemesis with them that they seem in the end to overtax the interest, or the allegiance, or the enthusiasm of those who must live by them. A civilisation can become slowly bored with itself. The contemplation of the organised ramifications of its life may rob it of verve and freshness. It may reflect, with pride, perhaps, and a just pride, that it has done its work, and arranged its life. That moment of self-gratulation may herald decay. Organisation, moreover, is a burden. It is a human instinct to organise, but when organisation in its advance passes a certain point, an authentic impulse of reaction against it emerges. The reaction varies, ranging between complacency and indolence on the one hand and irritation and active resentment on the other. When that stage is reached a civilisation may have much ado to keep the peace within its borders and ensure its members the satisfaction of their needs.

How does England stand? This small country holds a relatively huge population. It is one of the world's workshops: it is perhaps the greatest of financial centres. Within its own borders it is organised for work along the modern co-operative lines more intricately and effectively than any country, perhaps, has been in the past, and at least as completely as any contemporary rival. The ramifications of its organisation, moreover, are world-wide. Our work-system is sensitive to influences originating thousands of miles away.

Its security depends on vigilance and adjustiveness. The organisation by which England lives and exerts power and wins wealth is bigger, and more various and delicate, than that of Rome. It is probably stronger too, but for all its strength, as its citizens count strength, it is beset by more and greater dangers. Englishmen may justly be proud of the complex instrument by which the nation maintains it. Human ingenuity and pertinacity have evolved, probably, nothing greater since the world began, certainly nothing more striking. We are a wonderful people. When all allowances are made for blunders and faults, for our measure of blindness and callousness and flippancy, the solid fabric of England's life and the forceful order of her energy make England a world's wonder.

But can she keep going? It is not too easy to be sure that the favourable answer to this question is the true one. The multitude of her population is not an advantage to her if these millions, living and working at the closest quarters, draw from their surroundings feelings of irritation and discontent, if the environment pressing in upon them and imposing on many disappointment and disillusionment and deprivation provokes a smouldering resentment against the organised order under which they live. Some human beings have so strong a sense of the environment, of all in it that irritates and challenges and represses, that they lose their sense of the more positive and substantial purposes and satisfactions of their own life. Nervously sensitive to the conditions under which they must live, and distracted by its emotional stimulations, they spend in fretting and brooding and agitation their gift of energy. The power that was meant to sustain work and serve purpose is wasted, in many cases, on futile skirmishing and wordy warfare against whatever factors or conditions of social life may seize the attention most strongly. The closer and more thorough the organisation of a community's life and work become, the more need is there for its members to pick their way with sober discrimination and a determined in-offensiveness amid the throngs of people and the close pressure of conditions. Obedience is a prime necessity. Citizens must accept things as they are, or the great bulk of these things, on pain of finding their ways blocked and their energy dispersed in kicking against pricks. Men must choose between a life of desultory excitement against the conditions that surround them and a life of purposeful work under those



conditions. To accept these conditions, in bulk at least, is not to accept any moral responsibility for them. Many of them are bad: some are damnable. But it is not primarily the business of the individual, either to correct them or to denounce or to fight them. His business is to live his life, avoiding snags and building up his positive purposes, instead of losing himself in emotions and impulses of protest and alienation.

But one hardly needs to put ear to the ground to catch the hoarse, strong murmur of nervous discontent that rises up against the scheme of contemporary organisation. We have built up a scheme of things that pesters and inflames the minds of multitudes. The environment has "got on their nerves." Ambitious schemers and false prophets abound to bless this state of things and intensify it.

Yet this acrid cloud of discontent may pass away. What then? The nation will still have to bear the burdening garment of its ultra-organisation—if it can. The doubt here is real, as it would have been had a Roman formulated it to himself a round two thousand years ago. If the doubt is real, how can it be resolved in the way in which all lovers of England would wish to resolve it? Two suggestions may be made. In the first place let us simplify what can be simplified, and so lessen the burden. In especial let us seek to reduce the bulk and the functions and the pretensions and the financial activity of the Central Government. The war obliged the nation to pile up debt, and to such an extent as to strain somewhat the unity and the cohesion of the country. Nothing but our own folly and cupidity obliges us to force the Central Government to lay on taxes in order to meet the incessant clamour for State grants and helps and doles. An unthinking habit, backed in many quarters by stupidity and dishonesty, prompts the idea that if the State can be induced to defray expenditure of various sorts all will be well. But in truth unless the people realise in time that the burden of Parliament must be lightened not aggravated a disaster is ahead of us. Localities, interests and classes must face their responsibilities and foot their own bills, else the Central Government may begin before long to collapse. When burdens are too great that which should bear them can only come down.

Lastly, is our morale competent for our vast co-operative scheme of work? If it is not, can it be made so? No one



can answer this question. It is certain, nevertheless, that a scheme of organisation cannot live unless those who work it are like-minded with it. No one will contend that the nation's knowledge of its work-system, and of the basis of social justice therein or its active sentiments of brotherly helpfulness are adequate to make the great instrument which the nation has built up run smoothly and sweetly and productively. England seems to be in danger. She can only contrive to succeed if she rouses herself to summon to the support of her vast fabric of organisation all her moral forces, all her old enthusiasm, and more, whatever inspiration of citizenship and humanity, whatever spiritual strength she can muster by the searching of her heart and conscience and affections. Nations do not live by organisation alone.

§ § §

## TRADE AND FINANCE, II.

THE Government proposals for alleviating the distress due to unemployment and facilitating trade development have excited far less comment, adverse or favourable, than might have been expected. The proposals may be divided into three categories, according as they are intended to (1) alleviate distress due to unemployment, (2) encourage capital investment in this country and (3) assist the export trade. The measures which are being passed in order to tide families over the period of enforced idleness have received wide approval, and call for little comment. Those designed to facilitate trade with foreign countries raise several important issues, which will call for examination later. In this article we propose to consider those parts of the Trade Facilities Bill which aim at encouraging capital development at home. They appear to be far more important than is frequently recognised, and worthy of more active support than they have yet received. They seem to be based upon an accurate diagnosis of the disease from which industry is suffering.

The pre-war income of the nation was made up of goods and services which may be divided into four chief categories. The first consisted of that which satisfied the immediate needs of the people, or was sent abroad in payment of imports which satisfied such needs; the second comprised all that was necessary for maintaining existing capital (such as houses, factories and railways) in full efficiency and repair; the third represented extensions of capital in this country, and the fourth, investments of fresh capital abroad. The same class of goods or services might fall into two or more categories, determined by their purpose rather than their intrinsic quality. Thus, a builder might be employed alternately on repair work and new buildings; a railway engine might replace one that was being scrapped or comprise a net addition to capital; a transport service might represent a pleasure trip or the conveyance of coal to a steel works. It is useful, nevertheless, to classify the elements of the national income according to their purpose rather than their inherent qualities. During the war the export of capital (representing a surplus of exports over imports) ceased, capital development at home was only permitted in so far as it was required for war

purposes, the existing stock of capital was allowed to depreciate, and the supply of goods and services which satisfied immediate requirements was seriously curtailed. When the armistice was declared there existed a large gap to be filled. The most obvious and urgent needs were met first. The boom which followed possessed two main features. First it was a 'price' boom. The producing capacity of the nation could not immediately be restored to the pre-war level. The hours of labour were reduced approximately ten per cent. without corresponding increase in the intensity of effort; the loss in human life was a factor of great economic importance, while those service men who survived were not immediately demobilised. Moreover, the instruments of production were less efficient, for some time, in most manufacturing industries; transport services were but slowly restored, and Government restrictions relaxed only after long delay. Thus the actual volume of production during the boom was considerably below the pre-war normal. The second feature of the boom was that it represented a response to an intense demand, mainly domestic, for goods and services needed for immediate consumption and for restoring existing capital to a state of efficiency. There was little or no extension of capital at home; certainly there was no investment abroad representing a net balance of exports over imports. So great was the home demand for replenishing stocks of clothes, boots and other necessities and luxuries that industries which normally depend largely upon foreign markets were fully occupied upon domestic orders. Roads were mended, but no new ones constructed; tram and railway lines were repaired, but there were practically no extensions; houses were repainted and decorated, but the number of new houses erected was notoriously small.

Reviewing the course of events during the last three years one sees that the boom followed the obvious course. Currency inflation during the war left masses of the people with greater money incomes than before, and it was natural that they should seek to return as soon as possible to their pre-war standard of comfort. Their demands exceeded available supply, and 'profiteering' was the order of the day. When the gap in respect of consumption goods and depreciation of existing capital stocks had been filled, it might be expected that a second boom would have followed representing an attempt to make up the leeway in respect first of capital



development at home, and afterwards of investment abroad. And, just as the first boom was most pronounced in the textile industries, it might be thought that the second would have been more pronounced, during its earlier stages, in the metal and engineering industries. But the second did not mature: the first gave way to depression. Trade now languishes while all the factories, houses, railways, etc., which, in the absence of war, would have come into existence between 1911 and 1921 still remain to be built. The capital of the nation steadily diminishes as factories become obsolete and houses decay, and the standard of living is steadily falling. Hundreds of thousands of workers who might have been employed on such work are in a state of enforced idleness.

The cause of the depression is to be found in a combination of circumstances, of which two may be noted in so far as they bear upon the present subject. First, what may be called international disorganisation has reacted upon capital development at home. For much of the capital invested in this country is immediately and mainly dependent upon the export market; and until there appears a reasonable prospect of profitable trade abroad it is futile to expect any further construction in the coal, metal and textile industries and the innumerable small trades which are ancillary to these. Secondly, the instability of currency has frightened away the investing public. During the price boom we grudged paying abnormally high prices for clothes, meat and other consumption goods; but at least we could hope that in due course they would become more reasonable. We would have paid abnormally high rents for houses if there had been no restricting act. But we would not of dreamt of purchasing, at the prices then prevailing, sufficient clothes for the rest of our lives. We were equally unwilling to 'capitalise' the 'profiteering' prices by building houses. For we felt confident that building costs would fall, and knew that if we built houses a considerable proportion of the cost would need to be written off as dead loss. The same considerations held in all cases of capital development. Some people took risks during the boom; others who made money easily parted with it readily. But once the period of inflation seemed to be coming to an end and prices ceased to rise, people endeavoured to anticipate the fall, and thus accelerated its appearance. During the period of so-called deflation which started in this way capital development was postponed. Investors were—and are—waiting until prices reached the lowest point, so that they might

escape the risk of having their investments written down to amounts reflecting profits on the lower price level.

One section of the Trade Facilities Bill is clearly intended to meet this difficulty. If it becomes law the Government will guarantee the principal of and interest on investment loans in connection with new investments of capital by corporations and public and other bodies. The object is largely to neutralise the effect of the process of deflation. It reduces, if it does not entirely remove, the fear of the potential investor that part of an immediate debenture investment would need, in a year or two, to be written off as dead loss on account of the lower range of costs and prices then prevailing and in prospect. In so far as it is successful it achieves practically the same result as would be secured by the confident prospect of a stable currency during the period covered by the Government guarantee. Moreover, if it succeeds in inducing people to invest, it will do much to secure stability of domestic currency, and therefore stability of prices. The point seems an important one, for, in view of the completeness of the guarantee, it might reasonably be asked why the Government should not lend the money for approved undertakings and itself issue a loan for that purpose. This alternative seems less desirable for two reasons. In the first place, the Government would be guaranteeing the agreed amount to the corporation or other approved body without proof that it could, in turn, float a loan without inflating the currency. The amount of Treasury bills outstanding indicates the difficulty of such an undertaking. In the second place, the terms of any Government loan which would be necessary for the purpose might seriously affect existing Government stocks. If the approved authority needing the capital (under Government guarantee) could not obtain it from real investors the proposed undertaking would be abandoned, and currency would not be inflated; further, the authority would be able to offer such inducements as would attract the investor without prejudicing the attitude of the Government towards investors in existing Government loans. The provisions of the Bill are somewhat obscure, and there will obviously remain difficult questions of control, which, in some degree, is inevitably related to guarantee. But they seem to be generally sound, and the response of Lord Ashford to the action of the Government suggests that their enactment will mean one important step towards economic recovery.

*(To be continued.)*



## THE FACTS OF THE CASE IN DIAGRAM, XIX.

WHILST men are hotly disputing the theoretical advantages or disadvantages, according to their predilection, of socialism and its numerous cousins, as contrasted with the working system of private enterprise under which we live, they pay little heed to the actual process of Socialisation that is developing apace in most of our institutions with an ever increasing rate of acceleration. Yet the analysis of accomplished facts and the study of tendencies, as they operate around us, are in reality more interesting and more important and more profitable than any amount of speculation with regard to what might be if this or that stimulus, this or that restraint, were removed or modified to meet contingencies which in the nature of things are more or less problematical.

In whatever direction we look it will be found that the force of present circumstance is altering the conditions which control our social, industrial and economic life, and is doing so not in accordance with any set plan, not in obedience to any political formula, but along the lines of least resistance. If we are dissatisfied with the trend of events we shall not improve matters by continuing to dispute in the abstract, but shall be better advised if we take careful note of concrete movements as they develop and exert whatever influence we possess in helping those tendencies that meet with our approval and in delaying those that appear to us to be deleterious.

The diagrams which we publish this month exhibit in part the development of an evolutionary process, which, whether it be good or whether it be bad, cannot fail to exert a far-reaching influence on the future of our race. Everybody will agree that the *laissez faire* era of the 19th century, if persisted in until to-day, would involve disaster, but we cannot look for the same measure of agreement when we come to enquire whether the modern bias towards maintaining, out of compulsory contributions, a great variety of social services which are unable to pay their own way, has proceeded far enough. So long as it is imagined that something for nothing can be drawn from some extra-mundane source—whilst it is believed, for example, that there are really such things as free education, free insurance and free



housing, so long will the appetite for subsidies grow. But when it is realised that all services, social or otherwise, have to be paid for in the long run out of the product of industry, that wages, profits and the standard of living have all to pay their toll, a sudden reaction may be looked for and much that promises to be of permanent value may hastily be sacrificed before it comes to maturity.

For the moment we express no opinion upon the merits of the particular services referred to, and confine ourselves to the assertion that it is necessary to review the situation in all its bearings, and to count the cost of our national programme both in relation to its present usefulness and to its ultimate goal before we decide whether to advance or retreat.

Diagrams 34 and 35 are based on White Paper No. 189 of 1921 and "give particulars" (to quote the words of the Prefatory Note) "of the expenditure in the United Kingdom on some of the principal forms of public service to the community, namely, those provided under the National Insurance (Health) Acts, the National Insurance (Unemployment) Acts, the War Pensions Acts and the Ministry of Pensions Act, the Old Age Pensions Acts, the Education Acts . . . the Housing of the Working Classes Acts, the Acts relating to the Relief of Poor . . . etc., etc."

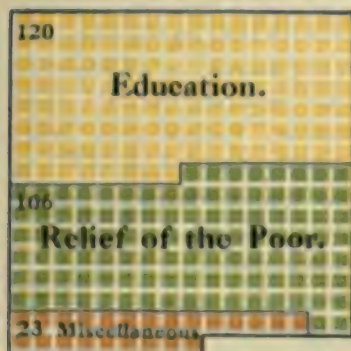
In the main the figures are self-explanatory and so far do not call for comment, but in some particulars the diagrams would be misleading unless attention were directed to the following definitions and qualifications.

The term "expenditure" is restricted to expenditure from (i) local rates (ii) Parliamentary votes and grants, and (iii) other receipts (not derived from loans) accounted for by, or to, Government Departments and Local Authorities. These "other receipts" include voluntary contributions for education and the contributions of employers and employed for insurance. Statistics for the year 1920 are not always obtainable and in these cases the latest available figures are used. "Comparisons between the totals for the several years are necessarily subject to the consideration that during the period to which the return relates unrecorded private expenditure on some of the services mentioned has been replaced by recorded public expenditure; for example, the amount of fees formerly paid to medical men by persons now insured under the National Insurance (Health) Acts was not recorded, and is not included in the return, while the amounts

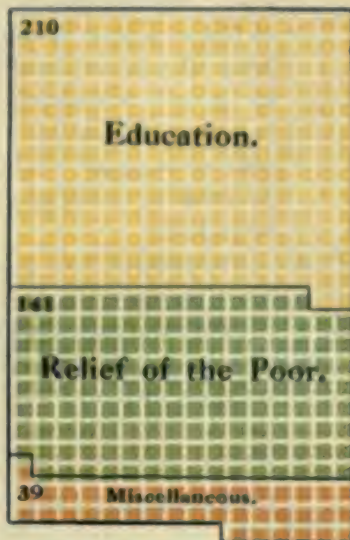
## DIAGRAM No. 34.

*(Note.—The figures in this diagram indicate the number of squares in each group.)*

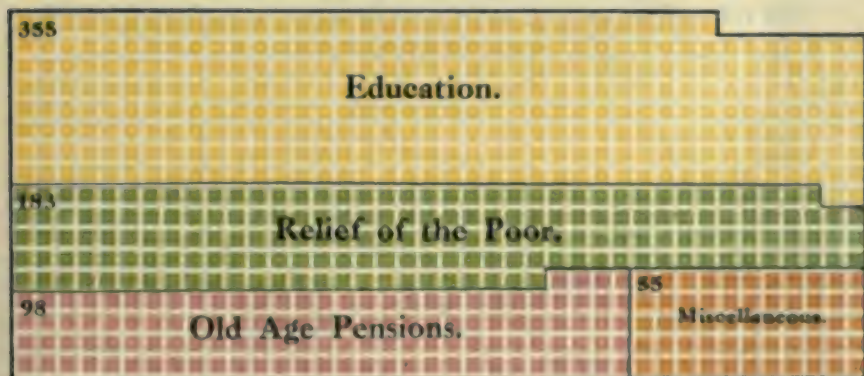
**Year ending  
31 March, 1891.**



**Year ending  
31 March, 1901.**



**Year ending 31 March, 1911.**



## GROWTH OF PUBLIC EXPENDITURE ON CERTAIN SOCIAL SERVICES.

Scale: each square of colour represents £ 100,000.



now paid to medical practitioners under those Acts form part of recorded expenditure brought into account in the tables. The entries against the item of Relief of the Poor "include all the expenditure of Boards of Guardians and managers of poor-law sick, asylum districts and school districts on relief . . . Expenditure on the medical treatment and maintenance of the sick poor is included, together with that on the maintenance of pauper lunatics in asylums, the education of children in poor-law schools, assistance to widows, etc." The salaries of medical officers, dispensers, nurses and other officers engaged exclusively in connection with the relief of persons in institutions or in their own homes are also included.

Further, in any comparison between the years selected, it must be remembered :—

- (a) that the population increased from 38 millions in 1891 to 42 millions in 1901, to 45 millions in 1911 and to, perhaps, 48 millions in 1920 ;
- (b) that the estimate of the National Wealth increased from £1,000 millions in 1891, to £1,500 millions in 1901, to £2,000 millions in 1911 and to, perhaps, £4,000 millions in 1920 ;
- (c) that in the last named year the purchasing power of money had suffered a decline, approximately, to some fifty per cent. of its pre-war standard ; and
- (d) that expenditure on War Pensions is a temporary and diminishing charge and one that, besides being unavoidable, is in the nature of a debt of honour which none would venture, nor desire, to disown under any circumstances whatsoever.

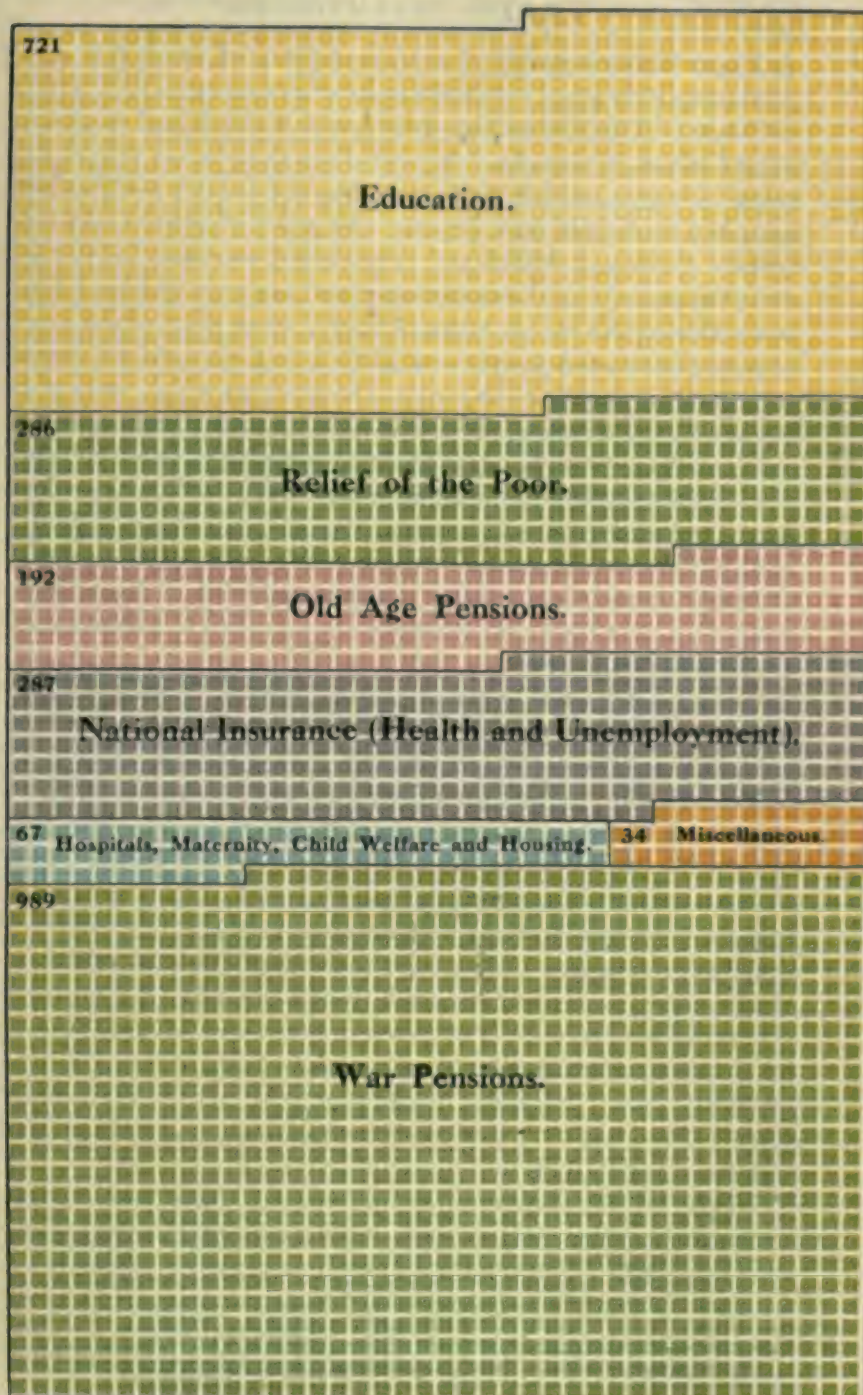




## DIAGRAM No. 35.

*(Note.—The figures in this diagram indicate the number of squares in each group.)*

**Year ending 31 March, 1920, (or latest available year).**



### GROWTH OF PUBLIC EXPENDITURE ON CERTAIN SOCIAL SERVICES.

Scale : each square of colour represents £100,000.

## TRADE BOARDS, II.

A TRADE BOARD consists of representatives of employers and workpeople (in equal numbers) and three or more "appointed" members. There are some things which the Board *must* do, others which it *may* do. It must, for example, set minimum rates of wages, which ultimately become legally enforceable upon the trade. It may or may not establish other rates for specific classes of skilled and semi-skilled workers. If this is done the rates, like the minimum rates, are equally binding in law. During the recent boom in trade, when most of the new boards commenced operations, skilled and semi-skilled rates were fixed in many trades, with consequences which were not always advantageous. The trades in the past were mainly unorganised; the various occupations had not been clearly defined, the boundary lines between them were often very faint, and the task of classification was extremely difficult and largely experimental. The result was that workers claimed rates which were not prescribed for them, and employers paid lower rates than were intended in some cases, arguing that the workers did not fall into the categories for which differential rates were established. This difficulty represents a phase through which all organisations, be they voluntary or imposed upon the trade by legislation, must pass in the attempt to make collective arrangements. If Trade Boards are to be an integral part of the permanent machinery of industrial conciliation, they will obviously be called upon to legislate for all categories of workers (not already provided for, as engineers and maintenance workers are) covered by the trades concerned; but it is somewhat doubtful whether they were wise to pursue so ambitious a policy at the earliest stages of their careers. It might have been more advantageous, in the long run, if they had conceived their task more narrowly, and extended their functions when they had justified, and secured, the confidence of their constituents as industrial legislators.

When either minimum or differential rates are under consideration the early procedure differs in no essential from that employed by Conciliation Boards in organised industries. In most cases within my experience the rates have been fixed by agreement, and the appointed members have not been called upon to vote. In the relatively few important cases in



which the two sides failed to agree, the decision rested with the appointed members, who were thus, in effect, arbitrators. Their task is obviously as difficult as it is important. They are faced with a conflict of principle. The workers' representatives naturally rest their case mainly upon the cost of living index numbers published by the Ministry of Labour; the employers, while admitting the importance of such figures, and emphasising their desire to maintain rates as favourable to the workers as possible, point to the difficulty of paying, for any length of time, rates which raise costs above market price. How can the appointed members decide between two conflicting principles? The difficulty is apparently increased by the fact that they cannot, like an independent umpire, split the difference. But here lies the opportunity of the Chairman. He spares no effort to achieve agreement. The two sides never give up negotiating; even if they feel inclined to do so they are not allowed, by the Chairman, to give up in despair. Every fact is thoroughly tested, every argument carefully weighed, every avenue patiently explored. Differences are reduced; and they are the more easily reduced by the knowledge that the appointed members cannot split them, but must vote on one side or the other. Before the end each side makes the strongest bid possible for that vote. Consequently, agreement is often achieved which at first appeared beyond the bounds of possibility; even when a casting vote is given it is only given when the difference remaining between the two sides has become *relatively* unimportant, suitable for arbitration and too small to be 'split' even by an outside arbitrator. The appointed members vote separately, not as a body, and may be found on opposite sides; but as they take a purely objective view of the situation and listen to the same evidence it is not surprising that they frequently, if not usually, vote for the same side. It is a perversion of the truth, therefore, to say that Trade Board rates are fixed by, more or less, irresponsible bureaucrats. The Trade Board method is the negation of bureaucracy. I have read verbatim reports of conciliation and arbitration proceedings, and have attended negotiations about wages, but I have neither had nor heard negotiations so exhaustive as those which have been conducted at some Trade Board meetings. As the members of the Boards are presumably those who would in any case represent the trades concerned if voluntary conciliation boards were in existence it is difficult to understand the objection frequently taken to their decisions. Those who argue, for example, that there should be separate boards for



different districts with minimum rates varying according to the district are simply objecting to the decisions of their own representatives, taken after careful consideration of the pros and cons; for one of the earliest tasks of a trade board is to determine whether or not district boards should be established, as was the case in agriculture so long as the Agricultural Wages Board existed. Nor, in general, is the objection to Trade Boards on the ground that one may cover too many trades, or another cover too small a section of the trade, such as should carry much weight, for the scope of a trade board is obviously determined only after consultation with accredited representatives of the interests which may be affected.

Many who attack the system do so on the ground that the rates established by the boards are too high and inelastic. The Act, it is said, was intended to meet the requirements of normal times and is quite inappropriate to the fluctuating industrial and financial conditions now prevailing. There is some truth in this criticism. It was clearly not intended that minimum rates should be varied at frequent intervals; it was assumed that they should have a run of at least six months. In point of fact, however, not only does the Act enable variations to be made at shorter intervals, but they are being made, in some cases, at least as frequently as industries controlled by voluntary conciliation boards. When an agreement is arrived at, it is issued as a proposal to the trade, any member of which may submit objections within two months. At the end of that period the proposal and the objections are further considered, and if the former is confirmed the Minister normally issues an order within a month. It is competent for either side, while "confirming" the proposal at the end of the two months, to bring forward, at the same meeting, a further proposal for variation, and this, if agreed to, will be issued by the Minister to the trade, and will itself be confirmed at the end of a further period of two months, during which the first will have become operative. Thus the minimum period, during which a trade board rate cannot be altered is not, in practice, six months, but two months. Surely no employer or worker, particularly if he preach the need for stabilising currency and industrial conditions, would desire variation at more frequent intervals! No organised industry has yet moved at a greater rate than is possible under the trade board system. Moreover, it is now possible for a Trade Board to establish rates which will fluctuate with the cost of living index numbers.

But the system is admittedly not perfect. The Boards

themselves feel their own limitations; they sometimes 'kick against restrictions which they regard as arbitrary and due to the 'cussedness' of the administrative department—which is separate and distinct from the secretariat of the Boards; the former is at Whitehall, the latter at the office of Trade Boards, Old Bailey. Trade Boards sometimes feel that their efforts are rendered futile by the 'pettifogging methods' of Montague House; they desire to define for themselves the scope of their own operations, and to interpret far more generously the powers which the Acts confer upon them. We should strive, however, to be fair to the Ministry of Labour. In the first place, a Government Department cannot afford to be or do wrong. If a business man is right three times out of five he may amass a considerable fortune. His actions, too, are more or less arbitrary: he creates no precedents which he may not disregard at will. But a public department is always creating precedents which may be quoted against it in the event of inconsistency. It must therefore move very slowly and warily. For this reason, if for no other, a Government Department is likely to fail as a manufacturer. Its method is invariably stereotyped: it dare not take many short cuts. In the second place, questions of legal interpretation must inevitably be decided by the legal adviser of the Department. The latter is administering an Act of Parliament, and is occasionally called upon to prosecute offenders. It must be sure of its ground. Finally, the Department had to improvise elaborate administrative machinery at short notice, with a staff wholly inadequate to the requirements of the Act. It was inevitable that such machinery should prove defective. But the experimental period has provided many lessons, and the administrative department has been eager and quick to learn. Along with my colleagues I have had more than one 'tussle' with the department, and have always been struck with two things, the strength—often the unexpected strength—of their own case as compared with ours, and the readiness of the officers to accept suggestions when these have been shown to be valuable. Thus, while not departing from my belief that too much 'government' may be even worse than too little, I feel that the administration of the Trade Boards Acts is steadily improving and will soon command the full confidence of the community. It is an error to suppose that any Government Department likes to be obstructive. It cannot afford to be so, and to antagonise those who are affected by its action, for not only its efficiency, but even its existence depends upon its power to command sympathy and support.

*(To be concluded).*



## WHERE LABOUR RULES.

WITH the exception of the few Labour leaders who, during their tenure of office, have been brought into close contact with reality, the conviction that a Labour government could, within a short time after its advent to power, create a new heaven and a new earth for the worker is almost universal even in that section of the Labour party which repudiates both the tenets and the tactics of the class war. Such people are ready and willing to admit that the Bolshevik experiment is a tragic failure, but they still cling to the illusion that, given a free hand and a long run, a government exclusively composed of the representatives of Labour could and would find a cure for the ills of low wages and unemployment prevailing all over the world to-day, and that without resorting to unconstitutional or revolutionary methods.

Sooner or later the hour will doubtless strike when British Labour will be called upon to legislate for the nation. Meanwhile one can gauge, to some extent at least, what prospects of betterment such an experiment promises by an examination of the results attained in a country where it has already been put into practice. In the Dominion of Australia a succession of Labour Governments have been in power for a quarter of a century. Yet, though almost every panacea in which British Labour puts its faith has, during that period, been tried with the object of modifying the industrial situation for the benefit of the workers, no single one of the evils against which the United Kingdom is at present struggling seems to have been exorcised in the Antipodes. Australia is face to face to-day with the same problems that are racking the minds of every statesman in Europe. Under these circumstances it is difficult to believe that class legislation with Labour in the ascendant, which has failed to prevent unrest culminating in strikes and unemployment in the Dominion, is likely to be more successful in older countries whose geographical position is less isolated and whose economic structure is complicated to a degree which renders such experiments infinitely more dubious and dangerous.

What, one is forced to enquire, is the reason for the failure of Labour Government in Australia to protect its own class from the calamities which are popularly attributed to the



existence of the Capitalist system? To those whose sole interest in these questions is not the defence of, nor the apology for, any specific system of government, the reason is not far to seek. It is to be found in the total disregard of economic law in the framing of the social policy to which each Australian government has in turn committed itself. Perhaps the most striking example of this pernicious pre-occupation with the exclusively social aspect of industrial conditions can be seen in the administration of the Commonwealth Court of Conciliation and Arbitration founded some fifteen years ago. Until his recent resignation in consequence of differences of opinion with the Prime Minister, Mr. Justice Higgins has presided over the Arbitration Court which he was mainly instrumental in creating, and is responsible for the trend of its policy and the character of its awards. Under his influence the capacity of industry to pay, as a determining factor in the question of wage regulation, has been more and more left out of consideration ever since his judgment in the famous Harvester case of 1907. A transparently honest man, Judge Higgins has indeed never concealed his contempt for the economic point of view in the adjustment of those disputes between employer and employed which were brought before his Court. In 1912 he declared in justification of his decision in the engine-driver's case, that if the industry could not bear the particular increase in wages awarded, the death of the industry was the only alternative. It is scarcely surprising therefore that such a policy engendered in the Australian leaders of Labour an attitude of mind in which they took it for granted that nothing but the ill-will of Capital stood between Labour and a larger share of the product.

With an arbitrator whose prejudice against the employing class was so frankly expressed—"modern highwaymen" was one of the epithets he applied to its members—the failure of the Court as an instrument for the attainment of industrial peace was a foregone conclusion. In addition to the notorious partiality of its President, its utility was further diminished by its cumbrous procedure. The first essential of successful arbitration is a speedy decision, but months would frequently elapse between the filing of a plaint and the judgment, and the exasperation caused by the delay did more to precipitate strikes than to prevent their occurrence. The ruling of Judge Higgins that no arbitration award would be given unless the men went back to work failed to allay the storm of which the

community at large became the victim. Finally in 1920, after a five months' stoppage in the coal mines, the Government, at the instance of the Prime Minister, decided upon the adoption of drastic remedies to clear the congestion of the Arbitration Court and to expedite its work. Amendments to the Act of 1906 and a new Industrial Peace Act were passed as emergency legislation. These measures will also have the effect of enlarging the powers of the Government for dealing with industrial unrest—powers which were denied to it by the referendum at the last Commonwealth General Election.

The new act, as described by Mr. Hughes in his speech on the second reading, will provide machinery more "flexible, convenient, expeditious and economical," than the Whitley Councils upon which it is modelled. Briefly, the Act provides for the establishment of a Commonwealth Council, consisting of not less than twelve persons, six of whom are to be elected by the employers and six by the workers, with a chairman nominated by the Governor-General. All matters calculated to trouble the industrial atmosphere come within the terms of its reference.

The enemies of the Prime Minister—and they are legion—endorse the criticism of the new acts expressed with acerbity by Mr. Justice Higgins. He accuses Mr. Hughes of giving, by the formation of special tribunals empowered to override the awards of the Arbitration Court, an opportunity to the workers to play off one jurisdiction against another and to wring concessions under threat of a strike. As State servants, who were excluded from the reference of the Arbitration Court, are included in the jurisdiction of the Industrial Peace Act, it is not improbable that the experiments in this direction made recently by the seamen and the marine engineers may be imitated under the new methods now given the sanction of law. Indignant as public opinion in Australia had become at the defective working of the Arbitration Court, the idealistic personality and well-known integrity of Mr. Justice Higgins excites a certain amount of sympathy, just as the autocratic temperament of the Prime Minister excites antipathy in those who see limitations to his remarkable ability and resource.

But to the dispassionate observer it is obvious that other dangers exist in these competitive and over-lapping authorities. The substitution of centralized arbitration by local tribunals renders the co-ordination of awards difficult if not



impossible. Nothing keeps industrial unrest so alive as a constant suspicion that workers in some parts of the country are securing more favourable judgments than in other parts. The most serious defect in the Industrial Peace Act is, however, that, unlike the Whitley plan in which each National Council deals with one sole industry, the Commonwealth Councils it proposes to establish will be empowered to settle disputes in any industry within their area of operation. One can imagine the confusion that will result if miners should be called upon as members of a Council to adjudicate on a dispute in say—the textile trade.

If the Industrial Peace Act should fail to do what is expected of it, the Arbitration system in Australia may cease to exist as an active function of its industrial life. Its value, as well as its survival, will primarily depend upon the success of its arbitrators in finding a true basis upon which to build the peace at which they aim. If they continue to flout, as Judge Higgins flouted, those economic laws which operate as surely in Australia as elsewhere, arbitration as a living force making for conciliation and prosperity is doomed. One can no more get a quart out of a pint pot under a Labour than under a Capitalist form of government. Without a recognition of this fact and another fact—that Judge Higgins' alternative to high wages—the death of industry—would be a far greater calamity to the worker than to the Capitalist—the new organisation will, like the old, fall short of its great objective.

Nor should it be forgotten in any summary of Australian conditions that the doctrine of "White Australia," which has become an article of national faith to all classes of Dominion society, has conferred an inestimable advantage upon the worker in delivering him from both the fear and the actuality of foreign competition in the industrial field. Though no Briton can do otherwise than applaud the decision to treat Australia as a preserve for the white, and pre-eminently for the British, race, it is futile to deny that the prohibition to import cheap foreign labour constitutes a handicap to the Australian employer. He may be too wise to complain of an ordinance which he recognizes as conferring upon the Dominion as a whole advantages that far outweigh any disadvantage it may impose upon his own enterprise, but it is doubtful whether Australian Labour gives him credit for any such disinterested patriotism. Dear as the Monroe doctrine



is to the American, his veneration for it does not go the length of refusing to draw upon the surplus populations of Europe in order to supplement the home-bred worker in tasks which the latter disdains.

In comparison moreover with the United Kingdom and with Europe generally, Australia occupies a privileged position. This relative isolation is probably responsible for the reluctance shown by Australian Labour to abandon dreams of an illusive prosperity and get to grips with economic realities. Mr. Justice Power, who has succeeded Judge Higgins in the Presidency of the Arbitration Court, may help on the painful but vital process of disillusion. His refusal to sanction the claim of the gas employees to an increase of wages on the grounds that if he were to grant it at a time when the cost of living is decreasing, "Parliament might have to brush aside the Court and its awards in order to enable industry to continue" is a hopeful sign, especially as this claim is regarded as a test case by the combined Trade Unions. But it will take more than one such blow to destroy the *paradis artificiel* created by the report of the Federal Commission upon the basic wage with which we propose to deal in a subsequent issue.

*(To be continued).*

§ § §

## FOOD FOR THOUGHT.

THE results of the November municipal elections once more call attention to a very unsatisfactory state of affairs. We do not refer to party gains and losses, which are of trifling consequence, but to the far more important question of the virtual non-representation of the average working-class community in the field of local government. Nearly everybody nowadays pays lip service to the democratic idea and governments all over the world are thrusting into the hands of the people the power to control their own destinies, but the gift is so little appreciated that only a minority can be persuaded to take the smallest interest in the matter. Taking life as a whole it may be said that people seldom fail to act in accordance with what they imagine to be to their own advantage, and this being so it follows either that the normal individual has in fact nothing to gain by carrying out his small part in the machinery of self-government or else that he is incapable of appraising correctly the value of his opportunity. In either case it must be admitted that the disinclination of the public to perform their electoral functions is a weakness inherent in the structure of democracy itself.



We believe that the explanation of these phenomena lies partly in an indefinite feeling of resentment at the microscopic share of power that belongs to the individual when all shares are equal, and partly in the desire, that possesses all men, of harvesting the fruit of their efforts. To have cast a vote for a successful candidate is a pleasure, but to be one unit amongst those who backed the loser gives no satisfaction whatever. If, therefore, democracy is to become what it claims to be, a genuine and a live thing, some way will have to be found to bring the people to the ballot box. It would appear at first sight that education should apply the needed stimulus, but when one considers that, in municipal elections at any rate, the better educated sections are just as slack as the comparatively uneducated, there is not much hope of overcoming the prevailing lethargy by sending boys and girls to school, nor even by enlarging the field of adult education unless a sustained effort is made to popularise the duties of citizenship.



To some extent the newspapers are to blame for the lack of interest that people take in these matters. Unfortunately it has become a national habit to respond only to exaggerated appeals and to notice only highly-coloured protests. Just as takers of drugs must go on increasing the dose in order to obtain the customary effect, so is the public appetite vitiated by an artificially stimulated taste for sensationalism. In this way true values are obscured and excitement becomes altogether too powerful a lever in the conduct of public affairs. It is not to be expected that the London Press should devote much space to municipal matters, but for some reason that we cannot fathom the newspapers of all shades of political opinion are very apt to refer to a general election as something harmful and to be avoided almost at any hazard. Of course frequent changes of government are unsettling, but the outcome of a general election does not necessarily involve the victory of the opposition and when it does it means that the outgoing government has become unrepresentative and is therefore better out of the way. To maintain in power an unpopular government, that is to say, one which has ceased to command the confidence of the electorate, is a far greater evil than any temporary disturbance that a general election may cause and democracy soon becomes a shadow without substance when it tolerates legislation of which it disapproves.



But there are other and more significant reasons than those that we have touched upon why men and women of normal working-class sympathies take so little interest and play so tenuous a part in the machinery of local government. Their abstention is due, as we believe, not so much to lethargy, not to any feeling of aloofness, but to lack of opportunity. What chance, indeed, has an artisan, who is not a political socialist (and the majority of industrial workers are not included in that category) of contesting a seat on a City or Borough Council with any chance of success? Who is going to find the money for his campaign and who will support his candidature in the first instance? It is true that, now and again, he may be able to secure a nomination for the local Liberal or Conservative caucus—but why should a man whose real interests lie in the direction of social and industrial reform have to parade under the banner of political party when, as likely as not, he dissents from their programme? Why should he have to approach his goal by a devious route which may savour of insincerity, when the



nation needs above all things the public services of honest and independent workers? There are other aspirants whose desire to enter public life is actuated, not by attachment to a cause, but by the call of personal ambition. These are the men who are driven straight into the fold of socialism—for there they find at once both an emotional pursuit and an easily negotiated ladder. It is neither healthy nor right that the mass of the people should be denied direct access to the arena of public service, and there should be no turnstiles, ticket collectors, or other barriers to keep them out.



Last month we dealt in these notes with the work and aims of the Industrial Welfare Society. This society, supported by a large council of distinguished employers, prominent trade union leaders and others interested in stabilising industry by strengthening the individual feeling of responsibility, must not be confused with the Welfare Workers' Institute, another important institution which concerns itself with a slightly different aspect of the same question.



The Welfare Workers' Institute is a professional association of men and women engaged in Welfare Work in industry. Its object is to promote the highest standard of welfare work by facilitating the interchange of experience of workers both here and abroad, and by obtaining a uniform standard of training and qualification for those undertaking the work. The functions of the two societies are different, but a study of their publications\* shows their conception of welfare work to be identical: the fostering of true co-operation. The employer and the employed must learn that the advantage of each lies in securing the intelligent co-operative effort of the other. The two societies would appear to be mutually complementary, and it is to be hoped that both will prosper in the essential work to which they have put their hands.



\* *Welfare Work*, the Journal of the Welfare Workers' Institute, published monthly, 5s. per annum, post free.

*The Journal of Industrial Welfare*, published monthly, 9d. per copy.

## DAY BY DAY.

*(A monthly Record of the principal events, at home and abroad, which have a direct bearing upon the maintenance, or otherwise, of peace in industry).*

**Oct.** The Ministry of Labour recorded a fall of 10 points in the  
**1st.** cost of living, the index number being 110 above that of July 1914.

Changes in the rates of pay during September gave a net reduction of £240,000 in full-time weekly wages. The chief groups affected were the miners, building trade operatives, and workpeople in wholesale clothing trades.

During the month 100 trades disputes involved 20,000 workers in idleness and caused a loss of 150,000 working days.

Unemployment among trade unionists fell to 14.8 per cent, and to 12.2 per cent. in the Insured trades. The Employment Exchanges registered 1,405,000. There were 322,000 working systematic short time and entitled to benefit. These figures do not include the numbers who, having exhausted their claims to benefit, took their names off the various registers.

Mr. J. H. Thomas, M.P., was refused a hearing at a large Labour meeting in Sheffield. Mr. Thomas declared that the unemployed were being exploited by the Communists for their own ends.

At the American National Conference on Unemployment the number of unemployed in the United States was estimated at "between three-and-a-half and five-and-a-half millions, with many more persons dependent on them."

**3rd.** About twenty-five per cent. of the blast furnaces in the Cleveland district are in operation again. During August last less than 10 per cent. (or 46 in 500) were working throughout the entire country.

The Monmouthshire and South Wales Coalowners' Association decided to accept the offices of Sir William Plender as arbitrator in the present dispute between themselves and the Coal Mines Department.

**4th.** A crowd of 50,000 unemployed, who attempted to hold a meeting in Trafalgar Square in defiance of the regulation requiring four days' notice of such intention, was dispersed by the police who charged with drawn batons.

**5th.** The London General Omnibus Company agreed to withdraw temporarily the notices to reduce wages by 3s. in order not to prejudice the negotiations now in progress.



The General Council of the Trades Union Congress appointed Mr. R. B. Walker, of the Agricultural Workers' Union, as Chairman. The Prime Minister asked the Council to appoint a Committee of four or five to discuss Labour's unemployment proposals, and also to act upon a small committee now being appointed to discuss the existing and future situation.

6th. When summoned in respect of arrears of Poor Rate amounting to £79, a Surrey farmer stated that he withheld the amount on principle as a protest against what he considers unnecessary delay in the payment of £351 due to him under the Corn Production Act. The Ministry of Agriculture officially state that this is the earliest possible date at which such money can be paid under the law.

Negotiations over the Munitions Bonus dispute have reached a critical stage. The men are hostile to any acceptance of the present terms, and the owners demand acceptance of their offer by noon to-morrow. The terms will be submitted to a ballot vote, and the leaders are convinced that, as they stand, the men will reject them.

The Executive of the N.U.R. have agreed to a raising of the "adult age" in railway work. In 1919 the age was reduced from 20 to 18 on the ground that a man was called upon to fight at that age. One result has been the dismissal of boys who cannot be absorbed as adults when they reach 18; another, dissatisfaction of the older men who see that these youths cannot shoulder responsibilities which they themselves must take for the same wage.

7th. The Labour Council, after reference to the fate of the recommendations made by the special committee of the National Joint Industrial Conference, and to the scant attention given to the Labour Party's Unemployment Bill and other recommendations, decline to act on a joint committee with financiers and employers, or to accept responsibility for Government policy. They appointed six members to explain Labour policy and to examine the Government's proposals. The names of the six are:—Mr. R. B. Walker, Mr. E. P. Poulton, Miss Margaret Bondfield, Mr. Sidney Webb, Mr. J. Ramsay Macdonald and Mr. A. Henderson.

Munitions Bonus: The Unions have decided to submit to a ballot vote, without recommendation, the acceptance or refusal of the employers' terms. The employers' final decision is that the whole of the 12½ and 7½ per cent. bonuses must be withdrawn by January 1st next.

8th. The N.U.R. have rejected the proposals of the Scottish



Railway Companies to extend the eight-hour day to ten hours and to reduce wages. The question will now be submitted to the National Wages Board.

- 10th. Porters employed inside Covent Garden are on strike against the attempt made by the brokers to reduce wages. The Transport and General Workers' Union are giving the strike official support because, they allege, the employers attempted to reduce wages without consultation.

The Shipbuilding trade unions are to ballot on the employers' proposal to withdraw the munitions bonus on the same terms as those already offered to the engineering trades.

- 11th. Covent Garden strike: The Conciliation Department of the Ministry of Labour advised the employers to meet the Transport and General Workers' Union to discuss a new scale of charges. The employers agreed, and the men temporarily resumed work on the old terms.

- 12th. At a special delegate meeting of the N.U.R., Mr. J. H. Thomas expressed uneasiness about the financial position of the Union, and stated that the membership had already dropped from 457,836 to 406,000 and was still falling. The Union is at present paying out £6,000 a week in donation benefit.

The enquiry into the working of the Trade Boards opened. The evidence was heard in public.

Grants to municipal authorities for unemployment relief works of a non-revenue-producing character are to be increased from 50 per cent. to 65 per cent. of the interest and sinking fund charges. The wages of unskilled labour employed on such work must not exceed 75 per cent. of the local authorities' ordinary rate for such labour.

The imprisoned members of the Poplar Borough Council were released in order to allow of their taking part in a conference with the Ministry of Health with the object of overcoming existing difficulties.

- 13th. The self-appointed National Administrative Council of Unemployed organised demonstrations in London, Birmingham, Manchester, Sheffield and other large towns. The London procession came into conflict with the police and some arrests were made. A deputation was later received by the Cabinet Unemployment Committee.

- 14th. South Wales Coal mines dispute: Sir William Plender upheld the contention of the owners, and ruled that they were only liable for wages at 72.6 per cent. over the 1915 standard, the balance being chargeable to the Government subsidy. The Chairman further decided that the intention

of the agreement was that October wages should remain the same as September wages, with a maximum reduction of 3s. It is suggested that unless the remaining three millions of the Government subsidy is available, many pits will have to close.

15th. The Portsmouth and District Drapers' Association announce their decision to pay full Trade Board rates in the district. They state that the object of their recent action was to draw attention to the hardship inflicted on many female workers, and that this has now been achieved.

19th. At a conference between the Miners' Federation and the Board of Trade, Mr. Frank Hodges stated that there were at present 175,000 unemployed mine workers, and 73 per cent. of those employed were working only three shifts a week. Many mines are now closing, and it is feared that in November wages will either be inadequate for a proper standard of living, or unemployment still more widespread. The Government was urged to use the balance of the subvention to ease the position.

The Government's proposed measures with regard to unemployment were discussed in the House of Commons. Briefly stated they include (1) a grant of £300,000 to assist ex-Service men to settle in the Dominions, (2) an extended export credit scheme and longer credit for engineering contracts, (3) Government to guarantee loans up to a total of £25,000,000 for work to promote employment in the United Kingdom, (4) a grant of £8,000,000 for relief works, (5) the establishment of an Unemployed Workers' Dependents' Fund, the money to be raised under the Unemployed Insurance Act.

20th. The Labour Party decided to oppose the Government measures for special relief for the dependents of the unemployed on the ground that the incidence of the levy is wrong and the relief only partial.

22nd. As a result of the British Government's decision not to ratify the Washington Eight Hour Day Convention, the International Labour Office have decided to enter into conference with all Governments who officially report difficulties in connection with the Convention, with a view to perfecting the arrangement.

The Laundry Trade Board gives notice of a proposal to reduce the minimum wage of male laundry workers from 60s. to 54s. for a 48 hour week.

24th. The Lewisham Guardians have opened a general store for the use of the unemployed. They estimate that the money spent in relief will thereby be increased 30 per cent in value.



- 26th. The Labour Members, with the exception of Mr. Adamson and Mr. Robert Young, left the House during the debate on the Bill for the relief of unemployed workers' dependents, in order to show their disapproval of the Government's refusal to consider any increase in the proposed benefits.
- 27th. Mr. Clynes and Mr. Henderson were received by the Premier who promised that the Cabinet should consider the possibility of raising the allowance for dependent children from 1s. to 2s. a week.
- Manufacturers in the pottery industry have given notice of a 20 per cent. reduction in wages. The operatives have definitely refused to accept this.
- Mr. James O'Grady has been invited by the International Federation of Trade Unions to proceed to Russia and take charge of funds amounting to £200,000 subscribed by the International for the relief of Russians in the famine area.
- Unemployed men on relief work at West Bromwich struck against a reduction from 1s. 6d. to 1s. 4d. an hour. One thousand men are affected.
- 28th. The ballot in the Engineering and Shipbuilding trade unions on the withdrawal of the 12½ per cent bonus shows a majority in favour of accepting the terms. Out of a total membership of about 2,000,000 only 318,107 voted and the majority which decided the issue was less than 23,000.
- 29th. Unemployed men on relief work at Heywood struck against an attempt to reduce their wage rate from 16½d. to 14d. an hour.
- The Government has informed the Miners' Federation that the £3,000,000 balance of the subsidy voted last June is to be returned to the Treasury.
- Negotiations in the Pottery Industry having failed, the Manufacturers' Association have given 28 days' notice to terminate engagements. About 60,000 operatives are affected.
- 31st. The day-wages of Scottish miners for November will be reduced by 4s. on present rates. Coal hewers will receive 9s. 8d. and surface men 6s. a day. Only an average of four days a week are being worked.
- To avoid the necessity for a further heavy increase in the rates the Dorset County Police have offered temporarily to forego the advantages of the new regulations for an eight-hour day. The men offer to work ten hours at their usual rates instead of eight.

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"There's no prevention but education."



# STIMULUS

1880

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# INDUSTRIAL PEACE

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# INDUSTRIAL PEACE

## THE QUESTION OF HOURS.

DURING the war the vast majority of workers remaining in civilian life worked as they had never done before. The armistice found most of us in a state of weariness, if not of exhaustion. It was natural, therefore, that the first step taken by trade unions in search of a better world was in the direction of a shorter working day. But the agreements which followed represented more than a reaction against the intensity of the nation's effort to supply munitions and all that was necessary to carry the struggle to a successful issue: they also embodied a desire which had always been present since the factory system necessitated collective discipline and regular hours of work, and which became more clearly articulated as the nation's wealth increased and the possibility of greater leisure became more apparent. Moreover, experiments carried on in individual factories had already encouraged the belief that we had not yet reduced the working day to that length which, over a long period, secured the greatest output, and that the last hour spent in the factory represented a net waste of time to all concerned.

Adam Bede could regulate his day as he liked. He was his own master, and could fix (within limits), not only his own standard of living, but also the times at which he worked. There was little capital lying idle when he was away brooding over his domestic troubles, nor were there any others whose work depended upon his presence at any given moment. The factory worker of to-day, however, is employed on expensive machines which must be constantly fed if they are to be economical; often his presence (or that of a substitute) is necessary if a large number of his fellow workers are to work at all. Group production means 'clocking in': checks are inevitable. Moreover, as technical improvements are introduced the range of an occupation tends to become narrower, and the work itself more restricted and less satisfying to the needs of 'personality'. The factory worker is compelled to seek, beyond the walls of the factory, the 'make-up' of life in a way that was not done in the eighteenth and earlier centuries. Hence the demand for a shorter working day. 'Leisure' is worth having, and paying for, not so much to enable the worker to spend a greater part of the day in idleness as to enable him, by recreation of various kinds, to



escape from the monotony of that inevitable form of work for which he is paid a weekly wage or monthly salary. Recreation itself may be a form of useful and lucrative effort (as in the case where an engineer cultivates an allotment or a clerk teaches book-keeping in a commercial school) which adds to the weekly income as well as the enjoyment of life. The movement represents a reaction against the factory system and a search for a 'balanced' life.

At the present time a widespread attempt is being made to undo the work of the armistice winter and to add to the length of the working week. The reasons which are urged in defence of this attitude are closely connected, and may be summed up as an endeavour to reduce costs. In the first place it is held that the simplicity of the agreements of 1919 is of an artificial character. A hard and fast eight-hours day in transport, for example, is administratively impossible, and the agreements covering this group of industries are too rigid in form. Greater elasticity (it is urged) must be supplied, involving, it may be, longer working days for special groups. It is clearly difficult to dovetail the work of thousands of employees and at the same time secure that no one is called upon to work in excess of the period prescribed in the agreement. The case is one for negotiation and compromise. In the second place it is stated that the recent agreements tend to retard the introduction of new and expensive machinery, which can only be economically run if it is continuously employed. There may be isolated cases in which the new machinery is *relatively* expensive on account of the fact that it stands idle part of the day. But as a general argument it is by no means convincing, for, as a rule, the relative economies of old and new machinery will remain unchanged when we have allowed sufficient time to elapse for existing machinery to become obsolete. The check on progress is one which is due to the *transition* from the longer to the shorter day, existing machinery, which was constructed when the working day was longer, being relatively cheaper than new machinery which is made under the current agreements for a shorter working day.

The check, moreover, is only operative provided the reduction in hours is followed by a fall in output per man per day, and consequently by an increase in labour costs and overhead charges. That this is so is the third and final argument employed in support of the agitation for a longer working period. It was assumed that the reduction in hours would be followed by a corresponding increase in efficiency. But the

expectations created by the promises of the trade union leaders have not been realised. Production has fallen and real costs have risen, with the result that our manufacturers experience a growing difficulty in maintaining their position in the international market.

The situation is an extremely difficult one. We have been through a war in which a vast amount of wealth was destroyed; this can only be restored by long and strenuous effort. Even if international economic reconstruction had not been interrupted by political and other difficulties there would have been a strong case for hard and unremitting toil until the leeway had been made up. But a great part of Europe is in a state of economic collapse, and those countries which have been accustomed to rely largely upon foreign markets now find it more, rather than less difficult to secure markets, and are therefore engaged in a severe competitive struggle, in which those who are able to increase their efficiency beyond that of their competitors will enjoy a considerable advantage. True efficiency is thus an urgent requirement. The question is mainly one fact, and in this connection three observations may be made. The first is that, quite apart from the length of the working day, the nation seems to be still suffering from the reaction from the strenuous days of war. A new mental and moral attitude is needed, and a clearer conception of the needs of the moment. This can only be achieved through the publication of the essential facts of the economic situation. The second is that the question of hours is closely related to that of fatigue. The Industrial Fatigue Research Board has conducted investigations into the conditions of efficiency in certain industries and published useful results. Its work should be widely and quickly extended. Every large industry should have such a Board or committee of experts working on its behalf, and endeavouring to ascertain, in particular, the relation between hours of work and efficiency. Finally the International Labour Conventions already fix a moral boundary to the freedom of industries. Our own representatives did not feel called upon to sign the convention relating to a working week of 48 hours mainly on account of the fact that in the only two industries in which it could produce any change such a change was impracticable. To restore, generally, a working week in excess of the Convention week would be to deal a death-blow to the International Labour Organisation at Geneva.



## NATIONAL INDUSTRIAL COUNCIL.

THE proceedings of the National Liberal Federation at Newcastle have drawn attention once more to the idea of organisation for industrial peace. The Federation has thereby, in our opinion, done the country a service, for while we know that mere machinery will never guarantee peace to industry, the lack of suitable machinery may easily occasion dispeace. The Federation adopted some very far-reaching declarations which had been carefully prepared, and on which adequate discussion was not allowed, and indeed, within the time at the disposal of the Federation, would have been impossible. The most salient point in the Federation's policy was the setting up of a National Industrial Council. Many members of the public must have learnt with great surprise that a non-labour political party had declared itself in favour of a scheme of central control. Many delegates dissented from the declarations, the Yorkshiremen being specially hostile. We venture to congratulate them on their dissent, and to return to an analysis of the possibilities of reform which has already been put forward in the pages of *Industrial Peace*.

We begin with the proposition that reform in respect of industrial machinery must mean decentralisation and local autonomy rather than control from the centre. In saying this dogmatically we are aware that decentralisation does not so much abolish central functions as curtail them and alter their character. The decentralisation which we should like to see could only originate from acts of the Central Government and would always be dependent in certain respects upon organs of the Central Government. But these relationships, it would appear, are not what the Federation had in view in its declarations. It conceives of a National Industrial Council as an imposing central body which is meant to control the realm of industry and not to lend or disperse its powers in a scheme of decentralisation. It might be urged here that you cannot decentralise until something exists to be decentralised, and that a necessary preparation for decentralisation is the concentrating first of all of wide powers in a central organ. The answer to this is that all the powers that can be wanted in any scheme of decentralisation are already either actually or potentially in the hands of Parliament. We are inclined to ask the Independent Liberal Party whether it



would really be wise to set up a National Industrial Council which, as a powerful central agency, would probably be an awkward rival to Parliament itself, but which, again, if it were merely a means towards decentralisation, would be unnecessary.

For ourselves we are satisfied that the country is tired of controls and in strong reaction against centralising tendencies. The preventive organisation which industry needs is to be sought elsewhere than in a National Industrial Council. The British scheme of Government is threefold, viz., Parliament, the Government Departments, and the Local Authorities. Parliament is and must remain the supreme seat and source of power: its authority must not be endangered by any body, even one set up by itself, which could rival it in the scope or importance of its work. Parliament can help most, perhaps, towards industrial peace by empowering the Government Offices or the Local Authorities, or both, to take action. Most of the community's affairs are transacted by these two agencies working in a measure of co-operation. Neither of these is inclined to surrender its powers or rights, and each is jealous of the other. Neither is "better" than the other in the sense of being a complete substitute. In some countries central working is on the whole to be preferred to local delegation. For certain kinds of public work the central method may always and everywhere be preferable to the other. The division of powers and functions between central and local bodies reflects in every country the stage of political development it has reached and its political and social idiosyncrasies. So much may be said in general. In this country the development of local autonomy is clearly a phase of progress. The drift of functions and powers is from the central bureaucracies to responsibly constituted and representative local bodies. This transference of authority and initiative, if properly made, we believe to be of the essence of progress, and we doubt, moreover, if transference can be made anywhere with more beneficent results than in the realm of industry. At present many of the Government Departments have powers of interference or regulation or inquiry in respect of industry. These powers ought to be consolidated and unified under one control. They ought, perhaps, to be extended and developed in certain directions. The National Industrial Council, if it ever came into existence, might be relied on to surround itself with a large central staff. Its existence would necessitate the bureaucratic consolidation

which we think desirable in itself, but the consolidation seems to us desirable enough to be done for its own sake.

In the various industrial localities, as we have often pointed out, a great variety of agencies exists for the handling of matters which in one sense or another can be called industrial. Too many of these agencies are branches of Government Offices in the Metropolis. Workmen's Unions and Employers' Associations abound. Most of the organizations that touch industry serve special interests and represent a partial point of view. Those which seek to hold a middle or impartial course are few and weak, admirable as their aims and spirit may be. No industrial region can show a body competent in authority and character for its industrial problems. Industrial interest and experience are dispersed in a multitude of subordinate and partisan agencies. There exists no single all-round body to which Parliament could delegate generous powers of supervision over industry. The delegation can only be carried out if Parliament establishes such bodies by fresh legislation. We venture to urge what we have often urged before, viz., that in each considerable industrial area there should be set up a Local Industrial Authority to take charge, under Parliament and the departments (or, as we should hope, a single Department of Industry) of the industrial questions of the area.

It may be urged that the chief troubles in industry are not local but general: and the history of the last few years supplies arguments for this view. But these years have been abnormal in that many contentious questions of national scope have been raised. The "national" method of agitation and controversy may well be on the wane. It has been misused so much for political ends that a strong reaction against it has now set in. There must always be national questions, and no Local Industrial Authority could hope to solve them. But we do not anticipate such a falling off in local questions as to make a Local Industrial Authority of no value. Keeping the peace, indeed, is an extremely local issue: for the peace must be kept just at the spot where it is endangered and just at the moment of danger, and it can be kept best by those who are immediate witnesses or participants in the trouble.

The National Liberal Federation did well to raise the question of preventive organisation. But the cure of industrial trouble must "touch the spot." No distant and general body can do that. Self-control must begin at home and must be self-imposed. A National Industrial Council is far less likely to do that than a Local Industrial Authority.



### TRADE AND FINANCE, III.

IN the present series of articles it is proposed to consider, in detail, some of the trade aspects of present financial disturbances and to answer the questions raised in the first article. As the journal appears only at monthly intervals it is perhaps desirable, at this stage, to state, in summary form, what seem to be the essential requirements of international economic reconstruction, leaving the argument to be elaborated in future issues. This course may be defended on two grounds. The first is that of urgency. The second is that while sound financial principles do not change, there appear from month to month superficial changes in the general economic situation which call for attention. New proposals too are constantly being submitted to the public. For example, since this series was started the proposal to cancel inter-allied debts has come almost within the range of practical politics; and the Federation of British Industries has advocated a serious modification of the London agreement of last May on the subject of reparation indemnities.

In a previous article reference was made to the importance of stability in the internal value of the currency of each country. Such stability, it was stated, would encourage people to proceed with capital development at home and so lessen the intensity of the existing depression. In this connection two points need to be emphasised. The first is that stability of currency and prices cannot be achieved by simple and direct action on the part of the Government or the banks. Stability is a result which may be achieved by influencing the general economic situation, and the power of the financial agencies of this country to influence that situation is confined within very narrow limits. Further, to influence the general economic situation in any marked degree it is necessary to concentrate attention—and action—upon the sphere of international trade. Capital development at home resulting from internal stability of currency would not, for example, proceed to the extent required to meet the needs of our industrial system. Manufacturers in industries depending largely upon export trade would not extend their factories, much less construct new factories, unless they felt assured of a market when the new plant was ready for its work. And there are important industries in this country the prosperity of which is conditioned by continuous extensions of this character. The second point is that currency is employed in payment of economic services, such payment being in the form of wages, salaries, rent, interest and profits.



Currency which is not disbursed in this way simply does not exist. Stability of currency thus implies stability in rates of payment. This statement is not falsified by recent experience. Prices fell, it is true, before wages rates were anywhere reduced. But the change in the relation of wages to prices meant that relative scarcity had given way to superabundance and consequent cutting of prices. Under normal competitive conditions the relationship between wages and prices is fairly definite and obvious.

At the present time wages are considerably below the rates prevailing twelve months ago. They are in danger of falling still further. The advantage secured by a reduction of wages rates, provided such reduction is spread over the whole of industry, is of a temporary character, disappearing when the consequent reduction in the volume of currency is reflected in the rates of exchange with other countries. Evidence of this truth is afforded in the history of the dollar during the last six months. We know, moreover, that a country which inflates its currency is enabled, thereby, to stimulate its export trade, but the advantage only appears where such inflation has produced its adverse effect upon that country's rate of foreign exchange, and only continues until the workers have succeeded in raising wages to the extent that the currency has been inflated. On the other hand, a reduction in the wages of a particular group of work-people, and restricted to that group, secures a more durable advantage to the industry affected. The case of exporting industries, regarded as a united group, falls midway between these extremes. It is not improbable, for instance, that the present partial recovery of some trades, such as finished steel and tinsplate manufacture, is largely due to the *relatively* large reduction (on sliding scale) in wages and costs expressed in our own currency. But here we enter the mists and are only able to discern dim lights. First, as the area of relatively large reductions increases the advantage diminishes. Secondly, heavy reductions in a large group of industries is bound, sooner or later, to cause similar reductions in the remainder. Thirdly, since wholesale rather than retail prices seem to be the chief factor determining rates of exchange, the later are apt to respond quickly to the fall in wages and costs in the exporting industries, thus reducing the period for which the reductions in wages bring an advantage in the form of additional orders. Finally, so many foreign States have been seriously disorganised that such reductions as are practicable in this country may, in the case of some exporting industries, bring no relief at all,

unless they are accompanied by the financial measures outlined below, whereas if these measures are taken, the reductions in wages may prove to be unnecessary. In view of the above considerations (which may appear academic but will be shown to be intensely practical when they are later applied to specific industries) and in spite of difficulties which it would entail, the first practical step, provided the rest follow, seems to be to stabilise wages for a fairly long period, say one year. It is not necessary that they should be stabilised at the rates now prevailing, but the rates (which would need adjustment in some cases) should be fixed quickly. To this end a new Wages (Temporary) Regulation Act might be passed, in which provision should be made for special adjustment (under license) during the control period, on joint application by employers' and workers' representatives. Failing an Act of Parliament a National Industrial Conference should endeavour to arrange for agreements in the main manufacturing industries.

The next group of measures would aim at stabilising the foreign exchanges in the only way which is likely to be effective. It must here be assumed that what is economically desirable is politically practicable. The value of a foreign currency, such as the lira or mark, fluctuates with (a) internal inflation or deflation, the former depressing, the latter raising its value; (b) the balance of external debts (or credits). The Brussels Conference of 1920 urged that European States should balance their annual budgets, thus obviating the necessity for inflating their currencies in the way which is still done in order to meet deficits. This is a counsel of perfection. It will be shown that so long as there are heavy external debts which cannot be met by means of current exports, that is, so long as the rate of exchange is considerably below its present parity, it is almost impossible to avoid heavy deficits on public services which are normally remunerative, and that consequently serious budget deficits are practically inevitable. It is therefore necessary to take steps to get rid of the depreciation of the rate of exchange. In the case of Allies whose economic resources have been seriously depleted three measures will be required. The most obvious external debts are the War Loans advanced by the United States and ourselves. Although these are 'in suspense' it will be shown that they depress the exchanges and in other ways tend to retard recovery. Hence the present cry for the cancellation of inter-allied debts. It is not necessary, however, that they should be wiped out. It would be sufficient for present purposes that they should be



funded, that is, converted into loans repayable at the will of the debtor within a specified period, say fifty years. The question of cancellation could then be deferred.

Such a measure would not rectify the exchanges, which are depreciated largely, if not mainly, by the existence of trade debts incurred on account of post-armistice imports far in excess of exports during the same period. These cannot be met as payment falls due, and should thus be covered by means of loans by investors in the United States and this country. But such assistance would only effect a temporary recovery of the exchanges. The necessitous States of Europe (like Canada twenty years ago) will need to import, for some time, more than can be paid for by exports. It will therefore be necessary to continue investing in such countries for that period if we are to effect a permanent stabilisation of the exchanges. Stated otherwise, the necessitous States will then be in a position to buy our goods, confident of their own ultimate recovery and consequent ability to repay such investments. The machinery for investments abroad should be created in the form of investment trusts, which would 'spread' risks on the principle of insurance, and be guaranteed payment of interest, within limits, by the Government. The Ter Meulen scheme, together with our own export credit scheme, might be linked up with the measures already described and be made really effective and valuable. The corollary to these measures would be the revision of the indemnity agreement. The indemnity, like the inter-allied debts, would be converted into a long-term obligation represented by bonds bearing an agreed rate of interest.

A comprehensive scheme of this character, accepted by America and ourselves, would have three important results. First, it would provide an opportunity to European governments to abandon the policy of continued inflation, and in this way to establish a stable parity of exchange. Where the opportunity was offered the moral obligation to utilise it would probably be recognised: if it were not, strong action might be taken. Secondly, the mere expectation that such a scheme was forthcoming would achieve an important immediate result through the anticipation of its ultimate effects. Finally, it would once more be possible to employ gold as the means of cancelling international trade balances, when necessary. No adequate substitute for gold has yet appeared, nor is it reasonable to hope for stability in international commerce until this anchor is again employed and the currencies of the nations are less at the mercy of weak governments.

*(To be continued).*



## THE FACTS OF THE CASE IN DIAGRAM, XX.

THAT part of the public expenditure which is not ear-marked for the payment of interest on the National Debt falls into three principal groups of approximately equal magnitude. These groups are related respectively to (a) expenditure on certain social services devoted in the main, but not exclusively, to the needs of the poorer classes in the commonwealth, (b) expenditure connected with the normal functions of civil government, and (c) expenditure on national defence.

When the more important items are marshalled in their appropriate groups and exhibited diagrammatically on the same scale we get a comprehensive picture of current public expenditure which enables us to see at a glance how the money goes and helps us to make comparisons between the various spending departments with a truer sense of perspective than can usually be arrived at by studying statistical returns.

Last month we dealt with the first of these three groups and showed (in Diagram No. 35) how an expenditure of some £257,600,000 was divided in the year 1920 between Education, Relief of the Poor, Old Age Pensions, National Insurance, Hospitals, War Pensions and other services of similar significance. The figures were taken from White Paper No. 189 as presented to the House of Commons in 1921.

It is unfortunate, in some respects, that the diagrams which we publish this month do not refer to the same period, but it was found impossible for various reasons to obtain the necessary information in the same form for any given year without varying the scale or otherwise altering the plan, and we have accordingly adopted the latest available returns as our basis in each case.

Diagram No. 36 is built up out of material to be found in the pages of *Finance Accounts of the United Kingdom for the Financial Year ended 31st March, 1921*, published last June. Generally speaking we have been able to use the figures in their original form, but in some cases it has been necessary to rearrange the grouping in order to simplify the result, and to avoid the inclusion of too many small items. Moreover, with one exception, we have taken "net" in preference to "gross" figures whenever possible.

Certain omissions have been made, notably the sum of £89,185,009 scheduled under Class VII. (Civil Services), and

the sum of £36,000,000 loaned to Dominions and Allies—the former because it belongs to the previous diagram and the latter because it refers to a war transaction which is not one of “the normal functions of civil government.” Expenditure amounting to £59,830,608 scheduled under Class IV. is omitted because the corresponding figure for 1920 was included under Education in last month’s diagram.

Diagram No. 36 consists of 2,609 squares, each representing £100,000 and accounts, therefore, for an expenditure during the year under review of £260,900,000. Of the various groups exhibited, the majority speak for themselves and comment is only necessary in a few instances where some departure has been made from the arrangement as followed by the *Finance Accounts*. Thus in the block allotted to Law and Justice we have included six squares for salaries to Judicial Officers usually charged on the Consolidated Fund. The block labelled “miscellaneous” includes not only the services so described on page 61 of the *Finance Accounts*, but also a heterogeneous collection of items amongst which may be mentioned expenditure incurred on account of the following, viz., National Savings Committee, Treasury Securities Deposit scheme, Imperial War Graves Commission, Central Control Board (Liquor Traffic), Property Losses Compensation (Ireland), Coastwise Transport Subsidy, Prize Claims, Civil Service Assimilation, and Unemployed Grants, &c., as detailed on page 70 as well as those belonging to Class VI. given on page 68. The block allotted to Foreign and Colonial Services is made up of the items included in Class V. with the addition of miscellaneous war expenditure borne by the Foreign Office and accounted for amongst unclassified services in the *Finance Accounts*.

The block of squares showing the Post Office deficiency is arrived at by deducting receipts amounting to £49,500,000 from expenditure amounting to £53,678,000. The balance of 4,178,000 on the wrong side accounts, therefore, for 42 squares. Similarly net expenditure on the Road Fund is obtained by deducting motor vehicle duties of £7,073,000 from the £8,936,689 set aside for the roads—giving an adverse balance of eighteen squares. On the other hand no entry is made on account of expenditure incurred by Customs and Excise and Inland Revenue departments, as in a calculation that deals with net figures the cost of collection is more properly deducted from revenue values than added to expenditure.



# DIAGRAM No. 36.

(Note.—The figures in this diagram indicate the number of squares in each group.)



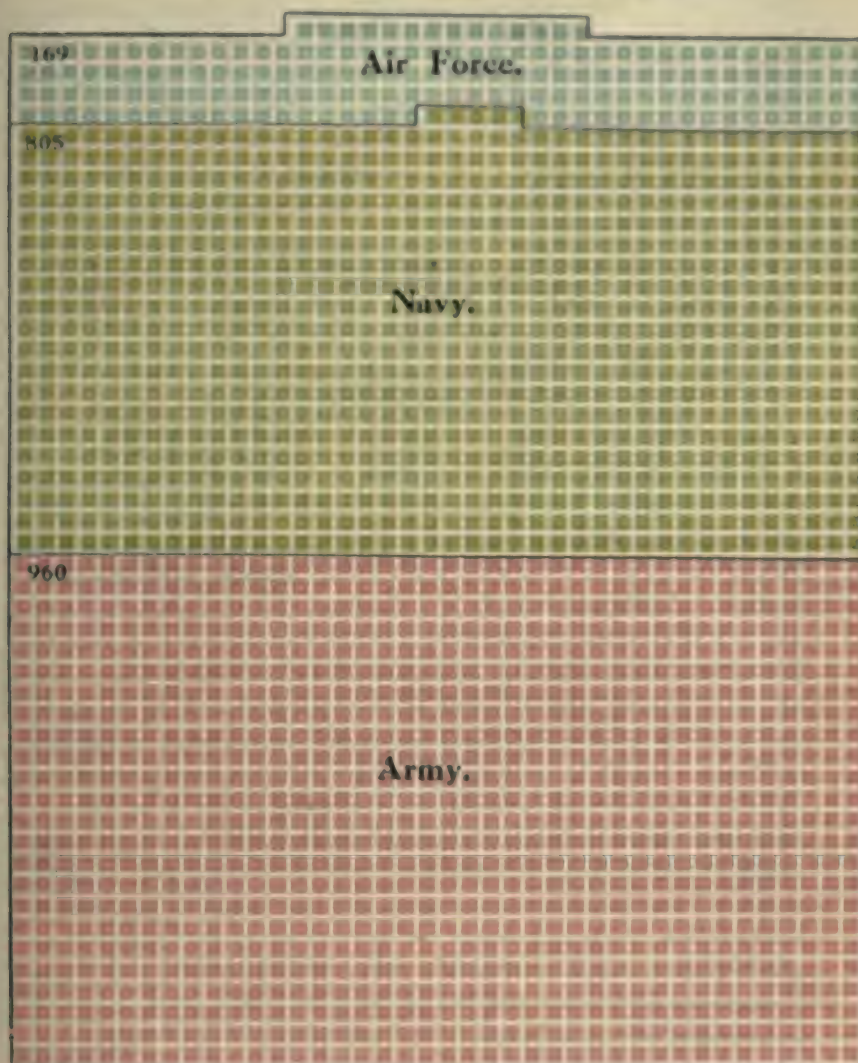
## PUBLIC EXPENDITURE ON CERTAIN CIVIL SERVICES.

Scale : each square of colour represents £100,000.

## DIAGRAM No. 37.

*(Note.—The figures in this diagram indicate the number of squares in each group.)*

Year ending March 31, 1922.



**ESTIMATED PUBLIC EXPENDITURE ON THE  
NAVAL, MILITARY AND AIR SERVICES.**

Scale: each square of colour represents £100,000.



The smallest block in our diagram is that of six squares representing the cost of the Monarchy. Had we, in this case, followed the plan of including net figures only there would have been no occasion to make any mention of this item of expenditure, because the £660,000 paid into the Exchequer on account of Crown Lands Revenue more than balances the £627,826 paid out for the combined services of "The Civil List," and "Annuities to members of the Royal Family." In view, however, of the exaggerated notions held by some people on the subject of the cost entailed in maintaining our Monarchical institutions we have tabled the gross figures in order to show how small a fraction of the public expenditure would have to be devoted to this purpose if the cost was not already provided for out of the revenue produced by Crown Lands.

Diagram No. 37 is based, not on the *Finance Accounts* for 1920-21, but on the Final Balance Sheet for 1921-22 as given in the Financial Statement (89) issued on the 25th April of this year. The reasons for this selection are two-fold. In the first place it would be misleading to exhibit naval and military expenditure in comparison with that of the civil services at a time when the process of demobilisation was still incomplete, because although the expenditure of the latter is also affected by war influences, the inflation of the former budgets is relatively both much greater and less permanent. In the second place a diagram showing Army, Navy and Air Force expenditure for the previous year, if drawn to the same scale, could not be accommodated within the space at our disposal, whilst if the scale were reduced, in order to avoid this difficulty, the basis for ready comparison would be lacking. It may be remarked, however, that expenditure on national defence services during the year ended 31st March, 1921, amounted to £292,228,000 as compared with an estimated expenditure of £193,382,000 for the year ending 31st March, 1922. This saving of approximately one hundred millions is likely to be enhanced when the special revenue arising from the realisation of War Assets is taken into account, and if the Conference now sitting at Washington should happily succeed in arriving at an agreement for the international limitation of armaments, substantial relief from the economic burden portrayed in the diagram would come as a godsend to our sorely-tried and greatly impoverished country.

## TRADE BOARDS, III.

By an appointed Member.

THE principle of the minimum or standard rate of wages is approved by manufacturers and workers in organised industries such as engineering and building. Its advantages are also recognised by many employers in unorganised trades. It is perhaps not too much to say that every employer who is not bent on seeking advantage to himself from lack of organisation among the workpeople is a believer in the standard rate. Nevertheless a considerable proportion of these are strongly opposed to the present Trade Board system and would prefer a universal minimum wage along the lines recommended over two years ago by the National Industrial Conference. Before examining this proposal I venture to express the opinion that there are too many Trade Boards legislating for the workers now covered by the Act of 1918, and that it would be a decided gain in every way if groups of Boards representing allied trades were merged. Many illustrations might be given, but two will suffice. The toy trade is in the hands of two groups of firms, the one specialising in the manufacture of toys, the other mainly engaged in the making of perambulators, etc.,—a seasonal trade—but also making certain kinds of toys in the "off" season. These groups are represented by two separate Boards, with the result that the rates which manufacturers are compelled to pay workers employed in making toys depend upon the Trade Board by which they are covered. Again there exist, in the Midlands, a group of trades known as the Birmingham light metal trades. These are represented by several Trade Boards, each of which legislates for a special trade or section of a trade. Three results follow. First there are constantly difficult borderland questions to be faced, involving considerable expenditure of time and money. Secondly, it frequently occurs that people employed on precisely the same class of work in different factories or in the same factory are paid different rates because they make different products and are therefore covered by different Boards. Manufacturers often find that the operations under their control are catered for by several Boards, although these operations are essentially similar and call for precisely the same class of worker and degree of skill and training. The fact that different rates are fixed by different Boards naturally gives rise to considerable dissatisfaction on both sides. Finally, the



multiplication of Boards in similar types of industries involves duplication of work and far more meetings than are necessary.

In a previous article I suggested that little or no weight should be attached to this objection to the existing system. I did so for this reason: the multiplicity of Trade Boards in allied trades is due, not to a deliberate policy pursued by the Ministry of Labour, but to the attitude adopted by the trade interests concerned. The manufacturers in the allied industries have been accustomed to form themselves into groups determined by commercial rather than manufacturing considerations. They stand in contrast to the engineering industry, in which the employers have recognised a community of interests far wider than the commercial. Thus, within the engineering industry there are to be found many commercial organisations, such as the Machine Tool Makers' Association. Nevertheless all classes of engineering employers combine to form an association which assists in determining the conditions of employment for a group of crafts found in all sections of the industry. It represents a stage which has not yet been reached by those allied trades covered by Trade Boards. These Boards are set up for industries, not crafts, and the manufacturers define an industry in the commercial sense and press for separate Boards contemporaneous with their own conception of the industry.

The point is worthy of emphasis, for it is relevant to the consideration of the practicability of a universal minimum wage. This alternative seems to enjoy the virtue of simplicity, but in practice it would probably prove more complex, difficult and expensive than the present system. A universal minimum wage would necessitate an Act of Parliament. If the amount (or amounts) were to be inserted in the act it would become the subject of violent political controversy and would open wide the door leading to corruption. If, as is more likely, the Act followed the lines of the Coal Mines Act, the actual amount would be fixed by umpires, for the appointment of whom provision would be made. Such umpires would immediately be faced with evidence of the complexity of trade. Every industry and section of industry in the country would emphasise its peculiar difficulty and need. One has only to write domestic servant, homemaker, dressmaker, metal worker and agricultural labourer in the same sentence to show that the task of the umpires would be an impossible one. They would be driven to set up consultative committees for the thousand and one interests involved. And soon there would be an irresistible

demand for greater autonomy and freedom, and greater elasticity. Decentralisation would be forced upon Parliament and Trade Boards as we know them would again be established. Further, unless we become a nation of spies, a machinery for administration and inspection would need to be set up in comparison with which the existing Trade Board machinery is extremely small and inexpensive—witness the Employment Exchange department and the various revenue departments.

The amendments to the existing Act which have recently been submitted to the Cave Committee by various employers' organisations do not, as reported in the Press, hold out any great hope. They do not convince the reader that their authors have clearly grasped the meaning of an Act of Parliament and the requirements of adequate administration. The obvious line of progress is to improve the administrative sections of the present Act by giving greater power and elasticity to Trade Boards, to secure an amalgamation of Boards now existing in industries which present similar problems, and to enable such Boards to delegate functions to sub-committees to an extent which is not usually done at the present time—in short, to accept the present tendencies towards the centralisation of ultimate control over occupations and industries, combined with the delegation of important functions and powers.



## WHERE LABOUR RULES, II.

THE decision of the Australian Federal Government to appoint a Royal Commission to enquire into the cost of living in relation to the minimum or basic wage was announced by the Prime Minister as an integral part of the Government policy in October, 1919, before the General Election. "If we are to have industrial peace" said Mr. Hughes on that occasion, "we must be prepared to pay the price, and that price is justice to the worker." Until that time the basic wage had remained at the figure of 7s. per day established by Mr. Justice Higgins, in 1907, when giving judgment in the Commonwealth Arbitration Court on the famous Harvester Case.

The rise in the cost of living which began in 1917 produced in Australia, as elsewhere, its crop of dissatisfaction culminating in strikes. As an antidote to direct action the Government as voiced by Mr. Hughes decided that "means must be found which will insure that the minimum wage shall be adjusted automatically, or almost automatically, with the cost of living." It was deemed right that the basic wage should so vary that its purchasing power was always equivalent to the same amount of the necessities of life. The first step in the realisation of this programme was to discover what those necessities were and what sum was required to buy them at the close of 1919. The Royal Commission was the instrument devised to establish these two primary points.

The Commission presented its report in November, 1920. Its members held sittings and examined witnesses in the seven largest towns in the Commonwealth and received the assistance of State and Municipal Officials as well as that of the heads of industry and trade. When the Commission began its work a detailed claim was laid before it by the Federated Trade Unions whose representative was present at all stages of the enquiry. The gist of this claim was a demand that the basic wage should be increased from the £2 2s. a week fixed by Mr. Justice Higgins to over £11 a week in all the capital cities with the exception of Brisbane, where the essential needs of the workers were estimated at £10 16s. a week. It is not surprising that these figures were discarded by the Commission as extravagant.

An employee with a wife, and three children under fourteen years of age, was taken as the typical family unit. Beyond

this postulate the Commission wisely decided not to limit the scope of its enquiry to any particular trade or occupation. In endeavouring to define the amount of the basic wage, the opinions of numerous legal and official authorities were sought by the Commission which thereupon "determined reasonable standards of comfort, not by reference to any one type or group of employees, but by reference to the needs which are common to all employees following the accepted principle that there is a standard of living below which no employee should be asked to live."

Rent, clothing and food were the main items subjected to investigation. Expenditure which, though supplementary to that of the three prime necessities, is still essential, is grouped under the title of "miscellaneous items." The items accepted as essential by the Commission represent, however, only a fraction of the Federated Unions' list. They include fuel and lighting, groceries other than food, the replacement of household utensils, union and lodge dues, medicine and dentist, recreation, library, fares and school requisites.

Passing on to the problem of the automatic adjustment of the basic wage to the cost of living, the Commission recommended that a bureau should be created in the Labour Department of the Government to register the fluctuations in the price of the aforesaid necessities. Every three months this bureau should issue a certificate of its findings to the Arbitration Court, who would thereupon fix the amount of the quarterly basic wage which could "be legalized by any method Parliament deems fit to prescribe." Due consideration was given to the desire of employers for a stable wage in fixing the term of adjustment at three months, irrespective of what is termed seasonal fluctuations. The Commission fixed the amount of the weekly basic wage at the time of the presentation of its report—November, 1920—for the cities of Sydney, Melbourne, Newcastle, Adelaide, Perth, Hobart and Brisbane, at a figure which varies from £5 17s. for Sydney to £5 6s. 2d. for Brisbane. In 1914 the actual corresponding cost of living ranged from £3 12s. 6d. to £3 4s. 11d. respectively.

Judging the report as a whole the Commission appears, within the terms of its reference, to have carried out its work with conscientious impartiality. The sting is, however, as usual, in the tail. Of the seven men appointed under the Letters Patent only two represented the interests of employers



of labour in this vital question. To the indignation of the Chairman, who adds an energetic protest in a covering letter, these two Commissioners, Mr. Keep and Mr. Gilfillan, decided to present a minority report over their signatures. While "not substantially dissenting from the General Report," they bring forward therein certain considerations entirely overlooked by the majority. The value of the minority report lies in its recognition of the economic aspect of the problem ignored by the rest of the Commissioners. It calls in question, not the amount, but the principle of the basic wage which appears to the signatories to be "not really a wage earned by the employee for work done, but an allowance for suggested requisites of living to be paid by the employer to the employee. They point out that "it may very well be that increased prices are the results of decreased production . . . if the cost of living goes up because of decreased production by the wage-earners it seems unreasonable that the community should have to pay to the wage-earner, by way of a basic wage, an amount which the latter has not earned. It is, moreover, a matter of fair observation that throughout the whole of the Inquiry before the Commission it was never suggested on behalf of the Federated Unions that, if the basic wage was increased, any increase in production could be relied upon."

In the protest appended by the Chairman he justifies the consistent exclusion of political and economic considerations as being no part of the functions of the Commission. It is unfortunate that the signatories to the minority report did not raise their objections to the purely social attitude adopted by the Commission until the eleventh hour. That they did not do so is evidence of the tendency, which has become almost universal in Australia, to disregard the operation of economic law in the adjustment of disputes between capital and labour. The Federated Unions and their political henchmen have yet to learn that it is essential, before proceeding to a division of the fruits of industry, to make sure that there will be any fruits to divide. It is indisputable, as the minority report alleges, that "while it is universally admitted that a high standard of comfort is desirable, it is shown that such could only be obtained in normal times, and that any attempt to introduce an ideal standard during the abnormal times we are passing through would add an intolerable burden to a young community unless compensated for by a considerably increased production."

The drop in prices assumed in the minority report has already occurred. According to Mr. J. Barnes, a well-known leader of Australian labour who is now in England, the cost of living in the Dominion to-day is twenty-five per cent. lower than it is here, while the average wage remains twenty-five per cent. higher. In October, 1920, just before the Commission presented its report, the basic wage in New South Wales was increased to £1 4s., and that sum represents the average wage for the whole of Australia during the current year. But if the Government yield to the determined attempt of the Federated Unions to enforce the legalisation of the recommendations of the Commission the sum involved will recoil not only upon industry but upon the community at large. The *Commonwealth Statistician* estimates it at £101,000,000, or six millions more than the computation of the Chairman of the Commission. Assuming that the whole of this sum could be passed on to the consumer, the *Statistician* argues that "the increase in prices would altogether outstrip the purchasing power of employees having a basic wage of £5 16s." But irrefutable as this argument is it has not so far induced the Federated Unions to abandon its agitation for the adoption of the majority report.

The disastrous effect which the imposition of this staggering burden upon industry would produce upon the export trade of Australia seems likely, however, to give pause even to a Labour Government. According to the *Commonwealth Statistician*, of the 298 million pounds' worth of commodities produced in 1918, 113 million pounds' worth, or 38 per cent, was exported. It seems obvious that with an addition of 62 per cent. to their cost such commodities could not continue to compete successfully in the world-market. That a section of Dominion opinion has already abandoned the figures of the majority report for this reason is indicated by the recent introduction into the New South Wales Parliament of a Bill proposing to replace the basic family by the individual worker as a foundation for wage calculation. Under this scheme each male employee would receive £4 a week with an addition of 12s. per head for each child where such exists. The employer would further be required to pay weekly 10s. 9d. into a pool under Government control for each employee. This plan would, it is claimed, reduce the capital sum involved to £28,000,000 besides correcting the unfair advantage which the previous one would confer upon the unmarried man.



## FOOD FOR THOUGHT.

SPEAKING at a meeting at Oswestry on the 19th November, Mr. C. T. Cramp, Industrial General Secretary of the N.U.R., made a valuable and courageous pronouncement. His theme was the maintenance of the eight-hour day, for which principle he declared railwaymen would never cease fighting. But he went on to say that the eight-hour day meant eight hours' honest work a day, and urged his audience *to endeavour by co-operation to make the railways so remunerative that the companies would be able to give their employees the best possible conditions*. In this sentence resides the kernel of the industrial problem in this country to-day. If workers could be brought to realise that the shortest way—and indeed the only way—to improve their standard of living is to make industry remunerative, and if they then acted in accordance with that realisation, there would follow such a revival of trade, such an access of national wealth, that wages would begin to rise and prices to fall until we should not only recover our former level of prosperity but steadily improve upon the old standards.

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It may be true that employers are constitutionally prone to resist wage increases, but when business is good the pressure exerted by the combined action of organised Labour, public opinion, Trade Boards and other factors cannot fail to be effective. The power of Labour to enforce its demands under favourable conditions was proved to the hilt during the period of artificial prosperity induced by the war. At that time the upward trend of wages was practically universal, and if the prosperity had been real instead of fictitious the accompanying disadvantage of rising prices would not have intervened to anything like the same extent. In times like the present, however, when trade is almost at a standstill, the power of Trade Unionism to exact better conditions for its members is almost negligible, because no amount of organised force can compel employers to pay out what does not exist. The strike threat is empty when direct action means closing down factories and when nothing but an increase in unemployment can be the reward of combative action. All the winning cards are ultimately in the hands of Labour, but Labour will never attain to victory as long as it dissipates its energy in the barren side-shows of class consciousness and non-co-operation. Labour has three promising fronts on which it may legiti-

mately and successfully concentrate; it can increase the net product of industry by hard and honest work; it can secure for itself the maximum portion of that product within the limits of what is economically possible by perfecting its bargaining machinery, and it can become the predominant political party in the State by adopting a commonsense programme that will gain the support of its own constituents who are numerically superior to all other classes combined.



The truth enunciated by Mr. Cramp is the exact antithesis to the childish doctrine of non-co-operation preached by Gandhi and applauded by the *Daily Herald*. The frank confession of his incapacity is symptomatic of Gandhi's mentality, and if the Indians are wise they will refuse to be led into further trouble by a man who admits his incompetence as a leader. "I am more instrumental," he confesses, "than any other in bringing into being the spirit of revolt. I find myself not fully capable of controlling and disciplining that spirit. I must do penance for it." His penance is to take the form of fasting from food and drink, but it would be far better for all concerned if it took the form of abstinence from agitation. There are many points of similarity between Gandhi and Mr. Lansbury, but the latter remains unrepentant and is perhaps even less capable of directing the spirit of revolt which he cultivates with so much assiduity.



There are also points of dissimilarity between the tactics of the revolutionaries in India and the policy of those who seek to inoculate our countrymen with the same virus of revolt. Gandhi admits that the disturbances in Calcutta were caused by his own followers, whom he considers were as much to blame as the police for the casualties which occurred. The *Daily Herald*, on the other hand, does not permit itself to indulge in candour of that sort and never misses an opportunity of vilifying the British police force. "We know," says the *Herald*, "from our own London streets that very very little violence and often none at all will provoke the armed forces of 'law and order' into bloodshed." It would be hard to conceive of a more libellous statement, and it is a matter for surprise that anyone should think it worth while to give expression to an opinion so flagrantly at variance with facts that are well-known to thousands of observers



throughout the Metropolis, but the *Herald* has an international circulation and quite a number of foreigners, for all we know, may be led to believe that the capitalists of London maintain a horde of Bashi-bazooks in order to slaughter an oppressed and panic-stricken proletariat.

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The mental twist that can visualise everything after a manner which fits in with his *idée fixe* is a phenomenon of much psychological interest and accounts for a great deal that would otherwise be inexplicable. Under this myopic influence the rioter who throws half a brick at a mounted policeman is canonised as an unarmed pedestrian engaged upon his lawful occasions and if, in the ensuing *melée*, his nose is caused to bleed, the retaliating constable is represented as an armed ruffian guilty of bloodshed.

■ ■ ■

Of all legal vagaries none is stranger than those to be met with in the maze of the law of libel. A man may slander a whole nation, more especially if it is his own, with absolute impunity, he can exceed all limits of decency if he attacks a corporate body, such as the Metropolitan Police, without incurring any risk of action being taken against him, and it is only when he descends to the vilification of individuals that he becomes legally answerable for his torts, and even then there is no certainty that the grossest of libels will meet with its due reward. It is with no little satisfaction, therefore, that we congratulate Mr. J. H. Thomas upon the successful issue of his action against *The Communist*. As a general rule it is fairly safe, from a legal point of view, to libel a public man. The aggressor has many chances in his favour. He can count on the reluctance of an overworked official to dissipate his energies in the pursuit of a personal issue, he can take advantage of the public sentiment which recognises that a public man of high reputation can afford to ignore much that a private individual would find intolerable—and there is always the sporting chance of winning the case on a technical miscarriage of justice. Fortunately none of these loopholes enabled the detractors of Mr. Thomas to escape the consequences of the campaign that a certain group of extremists have pursued with so much deliberation and venom for so long.

The proceedings in the King's Bench Division are well worth careful study. The most baffling impediment in arriving at the *net* truth in the affairs of to-day is the extreme difficulty that confronts the honest enquirer in sifting the contradictory evidence that opposing factions produce for the furtherance of their own interests. It is only in a Court of Law, with its Damoclean sword as a deterrent against blank perjury, and with its equipment of experts empowered to probe scientifically down to the very roots of the matter in all its implications, that demonstrable truth emerges. Faced with the ordeal that such a scrutiny entails, the man who has anything to hide exhibits a wholesome disinclination to enter the witness box, with the result that reasonable conjecture finds valuable food for thought. However this may be in this particular case, we advise those of our readers who are in any doubt as to the practical methods pursued by the extremists in this country to read, mark, learn and inwardly digest the evidence in the libel action brought by the Parliamentary General Secretary of the National Union of Railwaymen against the defendants. Amidst much that is surprising, perhaps, the most remarkable revelation, from a national aspect, is the fact that Mr. Thomas' name was attached to a manifesto issued by the Triple Alliance without his knowledge and in direct contradiction to his point of view. Remember that this took place at one of the greatest crises in our industrial history and that the document was circulated broadcast amongst hundreds of thousands of workers, who were thereby deceived on a vital matter. The manifesto gave the strongest encouragement to the miners to continue the strike in the belief that they would be actively supported by the railwaymen, and the accomplished effect of this misrepresentation is still to be seen in the extent of the dire epidemic of unemployment that is the worst feature in the present situation. The description of this episode, as given by counsel, is worth putting on record. Mr. Hogg said that "the miners had set up a Publicity Committee whose duty it was to publish literature helping the miners, and that Committee decided to publish the document. They did not communicate with Mr. Thomas about the matter, but his signature appeared all the same." We should like to know the names of the individuals composing the Publicity Committee, in order that on future occasions we should not be too confident with regard to the authenticity of the signatories to any manifesto they may see fit to publish.



Reverting to the subject of libels, we have recently come across a sample so overflowing with the quality of spleen, so abounding in quantitative ignorance, that we would fain assume that the individual who signs his name to the scurrility in question is other than as he describes himself. "J. Stone, Lieut-Colonel," of Hove, Brighton, writing to the journal *Plain English*, delivers himself as follows: "One curious thing has struck me. When Lloyd George first entered Parliament, the country was prosperous, and he was poor. Now the country is bankrupt and Lloyd George is said to have thirty thousand to forty thousand pounds a year." In plain English, J. Stone, Lieut-Colonel, insinuates that the First Minister of the Crown has taken advantage of his position to amass a private fortune to be estimated at the capital sum of over half a million of money by questionable means and that during a period of the nation's greatest need. The nausea that assails the reader of such abominable nonsense is enhanced, rather than mitigated, by the knowledge that this poisoner of the wells of truth is under the delusion that he has said something witty and appropriate. Safe in his own obscurity and immune from prosecution because of the eminence of the man he attacks, this pedlar of malevolent gossip does not pause to consider the magnitude of the injury that would be inflicted upon the good name of England in the mind of anybody who might be credulous enough to pay attention to his maladroitness and vindictive animadversions. One would have thought that the task of Cabinet Ministers nowadays is sufficiently arduous to satisfy the spite of the bitterest partisan, and although big-game hunters generally school themselves to be tolerant of mosquitoes, it must be remembered that there is a danger of the time coming when men who are able and decent will hesitate to enter public life if no limit is to be placed upon the number of rotten eggs they may have to face as a reward for their services.

If we have done Lieut-Colonel Stone an injustice and if he really believes what he says we advise him to follow the excellent example set by Mr. Thomas and to test the matter in the King's Bench Division of the Royal Courts of Justice. If, moreover, we can afford him any assistance in his endeavour to purify the sources of public life in this country we are very much at his disposal for that purpose.

## DAY BY DAY.

*(A monthly Record of the principal events, at home and abroad, which have a direct bearing upon the maintenance, or otherwise, of peace in industry).*

**Nov.** The Ministry of Labour index number shows the cost of living at pre-war standard to be 103 per cent. above that of July 1914.

Changes in rates of wages resulted in a total reduction of £430,000 in the weekly full-time wage bill. Over 1,700,000 were affected by the reduction.

During October 113 trade disputes involved 25,000 workers and caused a loss of 200,000 working days.

Unemployment among trade unionists rose to 15.6 per cent. and to 12.8 per cent. among workpeople insured under the Unemployment Insurance Act. The Employment Exchanges registered 1,611,000 as unemployed on October 28th and 252,000 as working short time.

Wages in the South Wales coalfields will be reduced to about 11s. 3d. per shift for piece-workers, 9s. 3d. for day-wage men and 7s. for surface workers.

**2nd.** Unemployed men engaged on relief works in Sunderland struck work as a protest against the reduction of their wages from 15d. to 13d. The Mayor petitioned the Ministry of Health to allow payment at the higher rate.

Scottish miners' wages for November will be reduced to 9s. 8d. for underground and 6s. per day for surface workers. Most of the men are at present only working half time.

The Transport Workers' Federation have agreed to a reduction of 4s. in the wages of single-horse drivers, and 3s. in those of motor-men.

A Conference of Joint Industrial Councils and other associations in the electrical engineering industry have submitted to Sir Alfred Mond various practical schemes for increasing employment.

The London General Omnibus Company have submitted an alternative scheme to the men, who will ballot the terms on November 11th. The Company offer to withdraw the proposed 3s. wage cut if the men will agree to an arrangement whereby the eight-hour day is divided in order to cope more adequately with the rush period.

**5th.** The day wages of colliers in the Forest of Dean are reduced to 7s. 5d. for the month of November. In January of this year the corresponding wage was 18s. 9d.

**9th** The Prime Minister discussed the wage situation in the mining industry with a deputation from the Miners' Federation,



but declined to continue raising wages by Government subvention.

- 10th. London Labour members, though informed that an interview with the Prime Minister was impossible, called at 10 Downing Street to discuss unemployment relief schemes with Mr. Lloyd George. After a telephone conversation between the Premier and one of his secretaries, the deputation left the building on the understanding that their case would be considered by the Cabinet in the evening.

A strike affecting 15 000 in the indiarubber industry (mostly girls and women) has ended in a compromise. The workers were willing to accept a five per cent. reduction in wages, but refused to increase their hours from 47 to 52½ per week. A 48-hour week and a reduction of 7½ per cent. in wages has now been agreed.

- 14th. The London omnibus workers have voted against the proposed arrangement whereby 25 per cent of their hours of duty would be spread over 12 hours and the remainder over periods not exceeding 10 hours. The present eight-hour day is spread over 9 hours and the men are strongly opposed to any loss of their newly acquired leisure.

- 15th. Mr. William Foster Watson brought an action to recover damages for libel against the Duke of Northumberland and Mr. H. A. Gwynne, the editor of the *Morning Post*.

At a meeting of the London Education Committee Mr. A. A. Watts (Labour and Socialist) moved a resolution that a short history of the Russian Revolution should be issued by the Council for the instruction of the children, such history to be written by Communists or mainly from Communist sources. The resolution, seconded by Mr. C. G. Ammon, was defeated by 32 votes to 2.

- 17th. *Watson v. the Duke of Northumberland*: The jury found that the statements written and published by the defendants to the effect that Mr. Watson was a spy whose co-operation was unwelcome to any but extreme Bolsheviks, were fair and published in good faith on a matter of public interest. Mr. Justice Darling accordingly gave a verdict in favour of the defendants, with costs.

- 18th. The London General Omnibus Company state that the conditions of time and pay recently recommended by their men's representatives but refused by ballot, will come into operation on November 30th. A ballot on the issue of strike *v.* acceptance is being taken by the union.

- 19th. An important agreement was arrived at between the Engineering & National Employers' Federation and the Amalgamated Engineering Union. The respective functions of the management and of the trade unions, as represented by shop stewards

and works committees, are defined. The agreement will be balloted on by the men before ratification.

22nd.

There are signs of a strong determination among dockers, railwaymen and tramway workers to resist any attempts to cope with the industrial crisis by encroachments on the eight hour day. Mr. J. Bromley has already addressed a protest to the secretary of the Railway Staff and Wages Committee on behalf of the Locomotive Engineers and Firemen.

25th.

A proposal to spread the dock workers' eight-hour working day over twelve hours is being discussed by the Joint Council for Port, Riverside & Inland Water Workers. The men's Council take the attitude that the general principle of the eight-hour day is threatened and that the General Council of the Trade Union Congress should be called upon to deal with this particular issue in the interests of labour as a whole.

The Underground Railways of London have adopted a scheme providing for the establishment of a species of Whitley Council for all the undertakings. The scheme is approved by prominent transport union leaders. The machinery consists of a series of committees and councils which enable the management and the workers to get into contact with each other. It is provided that disputes in connection with matters covered by the scheme shall be referred to the Negotiating Committee and that there shall be no withdrawal of labour or interference with efficient operation until 28 days after such reference.

26th.

At the annual conference of the London Labour Party a resolution was carried by 320 votes to 232 to urge the National Executive to admit the application of the Communist Party for affiliation. A second resolution was passed to raise £100,000 to contest seats in the County Council and Borough Council elections.

The result of the London Omnibus Workers' ballot on the question of a strike *versus* acceptance of the agreement on wages and hours recently negotiated by their leaders showed a majority of 1,049 in favour of acceptance. There were 9,582 votes cast.

29th

Following up Mr. Bromley's letter to the Railway Staff and Wages Committee, the Associated Society of Locomotive Engineers and Firemen announce their intention to support the decisions now being made by the men in all parts of the country to refuse to work systematic overtime.

Mr J. H. Thomas, General Secretary of the National Union of Railwaymen, commenced an action for libel against Mr Francis Meynell, Mr Arthur MacManus and others connected with the editing and publication of *The Communist*. The alleged libels were published in the form of words and cartoons accusing Mr Thomas of treachery to the miners in the strike which took place last April.



## "I.P." STUDY SCHEME, No. 2.

OWING to the success of our first Study Scheme the Central Council for Economic Information has entrusted the Editor of *Industrial Peace* with the organisation of a second course on similar lines. As most of our readers know, we started a scheme last February to encourage the study of economic principles. Students are recommended to read certain text books, and prize money to the value of £1,120 was awarded on the results of the work done.

We now propose to indicate only the broad outlines of the second scheme because we hope that our readers—employers, wage-earners or others—may send in suggestions which will help us to arrange a course which will best meet the needs of those for whom it is planned. It is our present intention to provide facilities for three separate groups, viz; (1) Teachers in Elementary Schools (2) Other members of the teaching profession (3) Welfare Supervisors and others engaged in industrial and social welfare work. There will be no competition between the groups, e.g., teachers in elementary schools will compete only amongst themselves and not against welfare workers or teachers in secondary schools etc.

To every fifty candidates in each of the groups there will be offered fourteen money prizes of a total value of £75, the individual prizes ranging from £20 to £2 10s. It is proposed to award the prizes on the merits of the answers to a series of questions on economic subjects which will be published in "*Industrial Peace*" during the next six months. Much fuller detail will be given next month, but the foregoing will be the main features of the plan.

In organising the last scheme we discovered how difficult it is, not only to bring a proposition to the notice of the particular section of the public for whom it is intended, but also to convince a sceptical world that you are really offering something worth having and for which you ask nothing in return. We believe that "there's no prevention but education" and, therefore, part of our contribution to the cause of peace in industry is the effort to promote an interest in the study of economic life. We hope that many of our readers will help us by bringing the scheme to the notice of those who may be eligible as candidates, and that all who are in a position to give encouragement to those who would like to study economics seriously for an hour or two a week for the next six months will do what they can in that direction.

No. LIII  
**JANUARY**  
MCMXXII

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"Education will redeem industry; industry  
will revivify education."





# INDUSTRIAL PEACE

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# INDUSTRIAL PEACE

## THE CANNES CONFERENCE.

THE world is growing tired of conferences and 'conversations,' interallied and international. The path of peace is strewn with them. Hopes are raised, time after time, only to be followed by disappointment and by depression more pronounced than ever before. The stimulus slowly but steadily loses its force; enthusiasm gives way to apathy, confidence to scepticism. The Cannes Conference thus opened without undue expectations and with no flourish of trumpets; the daily press, indeed, emphasised in advance the fundamental disagreement between Great Britain and France, and held out little hope of success. Nevertheless, at the time of writing (January 7th) sufficient has already been achieved to mark the meeting as one of the most important, if not, indeed, quite the most important since the Treaty of Versailles. The agreed Resolution of the sixth of January represents the first serious attempt to face the facts of the situation and to solve the international economic problem. If the truths expressed in that Resolution are allowed full weight a supplementary reparations agreement which would meet all the urgent requirements of France should prove a comparatively easy matter.

The Conference Resolution (which was moved by the British Prime Minister) states that a further conference of all the European nations should be summoned at an early date. The second paragraph is worth quoting in full. "The Allied Powers consider that the resumption of international trade throughout Europe and the development of the resources of all countries are necessary to increase the volume of productive employment and to relieve the widespread suffering of the European peoples. A united effort by the stronger Powers is necessary to eliminate the paralysis of the European system. This effort must include the removal of all obstacles in the way of trade, the provision of substantial credits for the weaker countries, and the co-operation of all nations in the restoration of normal prosperity." Readers of this journal need hardly be reminded that for the past eighteen months we have given expression to the view which has now been officially endorsed. At first it was unpopular, but gradually its truth became evident. We were under no illusion about

Germany. We believed, and still believe, that the great majority of Germans are unrepentant, and that they blame themselves not for having plunged Europe into war but for having failed to achieve victory. Nor is our view of Bolshevism heretical. But we were faced with a choice of evils. Some writers thought the rest of the world could get on without Central Europe, and advocated a strong policy of Imperial development and the encouragement of trade with the newer countries of the world. Both are, of course, desirable, but they do not afford adequate compensation for the loss of the Central European market. The possible volume of trade is determined by the number of people accustomed to trading in the modern fashion, and the great industrial populations and markets before the war were to be found mainly in Europe, India and North America. Moreover, countries like India and Brazil are themselves seriously disorganised by the loss of European markets and cannot be expected to increase their own power to purchase goods from us until those markets for their own goods are restored. The economic world is one organic whole, and must be treated as such if we are not to revert to the conditions of the eighteenth century.

Two further points call for observation. The first is that the Cannes Resolution recognises the need for providing assistance to the weaker States of Europe, and in this way brings us one stage nearer the realisation of the comprehensive scheme outlined in the December issue of this journal. It will not be easy, however, to devise a workable arrangement for investing capital in Central Europe, nor can it be done without the assistance of the United States. In the early future we hope to elaborate a scheme which has already been advocated in principle in these pages. An international development trust, with a capital of £20,000,000, has been foreshadowed, but, when we consider the present value of money and the amount of capital which a new country like Canada was able to absorb during its early development, it becomes obvious that such a trust would not itself be sufficient to meet the present needs of Europe.

The second point is that the terms of the Resolution relating to Germany are much more moderate than those of the Brussels Financial Conference of 1920. The former are that "an adequate means of exchange must be available, and generally there must be financial and currency conditions



which offer sufficient security for trade." There is no suggestion that currency inflation must cease before assistance is forthcoming. On the contrary, there seems to be an implied recognition of the truth which we have repeatedly emphasised, namely, that before we can reasonably expect inflation to cease financial assistance must be provided. Stability of currency is a result—and a symbol—of industrial recovery.

We are not without hope that the Cannes Conference will mark the turn of the industrial tide. The gradual reduction of stocks during the past year is bound to have some effect upon trade, irrespective of the situation in Central Europe. But the recovery will be of short duration unless, in the meantime, steps are taken to carry out the intention of the Conference. If, however, the proposed European Conference avails itself of its opportunity confidence will be restored and preparations for the development of Europe will be made in advance. We may thus witness, during the present year, the start of a boom in trade which will be far healthier, and of longer duration, than that which followed the armistice. It will resemble more closely the booms to which we were accustomed before the war, and which were intimately bound up with the export of capital from this country and the development of new economic regions in America and elsewhere. Shipping, shipbuilding, engineering, steel production, coal-mining and textile manufacture, all industries depending largely upon the export trade, will obviously benefit, and they cannot prosper without bringing prosperity to dozens of smaller industries which meet their requirements.

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## THE FACTS OF THE CASE IN DIAGRAM, XXI.

DIAGRAMS numbered 35, 36 and 37, and published in November and December of last year, gave an analysis of that part of the public expenditure which falls under the three headings of Social Services, Civil Services and Defence Services. The net total of the expenditure thus reviewed was exclusive of transactions in connection with the creation or reduction of the National Debt. In the diagram that we publish this month we deal with the associated question of the Public Revenue for the financial year ended 31st March, 1921, and we again omit all reference both to the redemption of debt and to the interest paid or payable thereon.

Diagram No. 38 is based solely on the information contained in the *Finance Accounts of the United Kingdom* (White Book 146, published by H.M. Stationery Office in June, 1921), but, in some cases, the actual figures employed in the body of the diagram differ from those appearing in the text of the original authority owing to the process of re-grouping that has been found necessary. The re-arrangement referred to has been adopted partly in order to obtain *net*, in the place of *gross*, Exchequer receipts, partly in order to avoid a complicated network of excessively small blocks, and partly in order to collect similar items under a single heading. For these and other reasons the distinction maintained in the White Paper between revenue derived from Customs and that collected as Excise has not been preserved in the diagram, which confines itself to the consideration of such net public revenue only as is raised by taxation.

In the present instance a scale smaller than that employed in the diagrammatic presentation of public expenditure has been used. Each square of colour in Diagram No. 38 represents half-a-million pounds sterling, or five times the amount represented by the scale-unit of Diagrams 35, 36 and 37.

Under the heading labelled "Miscellaneous" are included a heterogeneous assortment of such items as Customs duty on Cinematograph films, Excise charges on patent medicines, and pawnbroking, and annual receipts from Mint profits and Conscience Money.

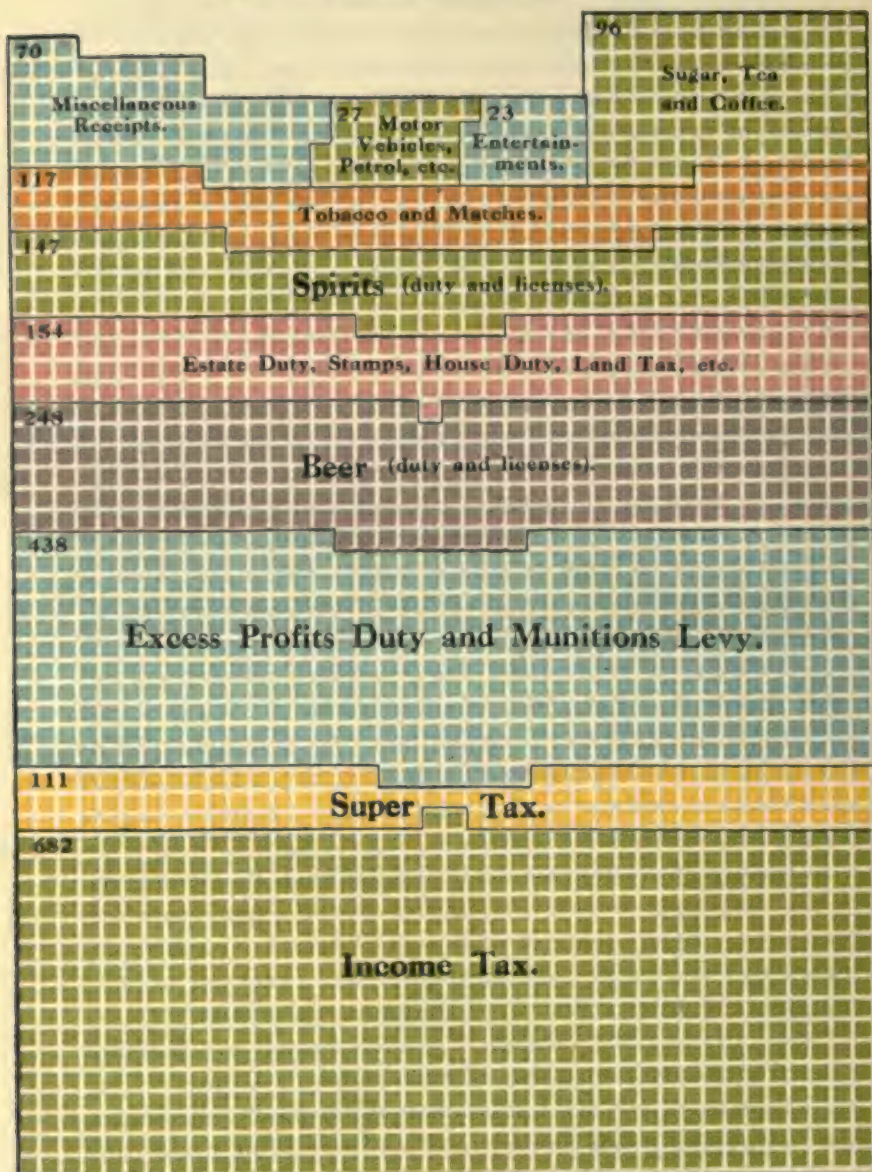
The total revenue included in the group allotted to Estate duty, Stamps, etc., is made up of the following component



## DIAGRAM No. 38.

(Note.—The figures in this diagram indicate the number of squares in each group.)

Year ending March 31, 1921.



### PUBLIC REVENUE (NET) DERIVED FROM TAXATION.

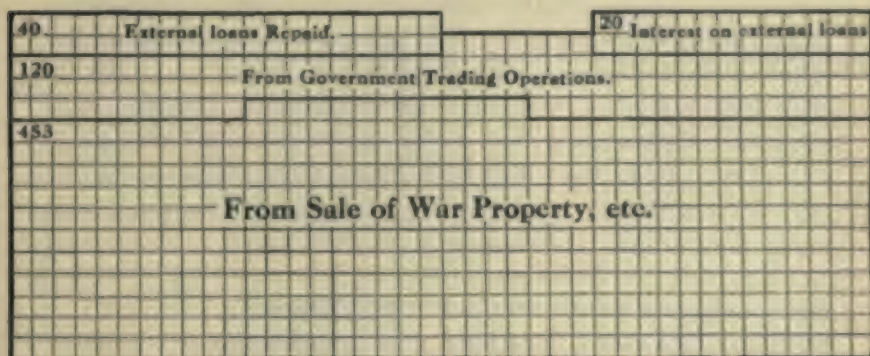
Scale: each square of colour represents £500,000.

parts, viz., Corporation Profits Tax, 2 squares; House duty, 4 squares; Companies Capital duty, 12 squares; Bills of Exchange, 4 squares; Cheque stamps, 7 squares; stamps on deeds and legal instruments, 23 squares; other stamps (not postage), 7 squares; Estate duty, 95 squares; total 154 squares.

With regard to the group labelled Excess Profits Duty it should be mentioned that of the 438 squares concerned only two are in respect of the Munitions Levy.

Certain items of Revenue received during the year under consideration have been excluded from Diagram No. 38 on the ground that they are in the nature of windfalls which will not recur in normal times and which do not accrue from taxation. The items referred to are scheduled below in the uncoloured diagram (No. 39) and consist of interest on War loans granted to Dominions, Colonies and Allied Powers, of repayment of principal on the same account, of receipts from sales of war property, from Government trading and of sundry other contributions towards the expenses of the War. The same scale is used as in Diagram 38.

DIAGRAM No. 39.



Finally, attention may be called to the fact that revenue from the national holding in Suez Canal Shares, British Dyes and other sources under the head of Receipts from Sundry Loans, etc., as scheduled on page 24 of the *Finance Accounts*, is omitted from both diagrams, because such revenue neither proceeds from taxation nor from war services. The amount involved in this omission is practically negligible, however, and if included would be approximately represented by no more than two squares at the outside.



## FIRST THOUGHTS.

THERE are two sorts of men, those who see only near things that strike plainly on their senses, and those whose minds range beyond what their eyes see. The one sort see the particulars of Truth, as they conceive, and are content therewith. The others, from inborn fear of the errors that flow from close and narrow views, resort to imagination and reasoning. Distrustful of the piecemeal and the obvious, they seek to correct raw and hasty beliefs, and to grasp in what hidden ways things seemingly separate may influence each other and even depend one upon another. For First Thoughts are often fallacious. In Economic matters they are rarely correct. The science of Economics consists in little else than a body of Second Thoughts: and it follows that the Art of the Economist must consist, for the greater part, not in sowing the seeds of Truth in virgin soil but in extirpating the rank heretical growths of First Thoughts. Such is the cruel situation of his Science. Conversion must go before instruction: or let us rather say that the mode of instruction must often be conversion. The Economist must begin by asking his hearers to disbelieve their senses and abjure cherished opinions, straining their patience thereby and hazarding their goodwill in order to teach them what they cannot receive without disfavour and doubt: and after all his labour he will seem to many of them to be but a paradox-monger.

Thus many working men believe and will continue to believe that they can counter unemployment by "ca' canny." By doing less work than they could they provide work, as they think, for those who but for their forbearance would be workless. Their eyes can see a man brought in to do the work which they themselves forbear to do. He is a fact, visible and palpable. Yesterday he was idle: to-day he is there at the bench. The new man is indeed a fact. There are other facts, however, unseen as yet and impalpable, to which his coming must give rise. If work were an evil or penance, a distributable bad substance of definite amount, and a thing of momentary nature independent of disposing conditions and causes and leaving no trail of effects, there would be justice in so disposing of it that none should escape

his share. But work, unfortunately, bears none of these characters. It may have the aspects of evil that are indicated in the curse pronounced at the gates of Eden, but it is much else too. It has not the momentary nature which alone could make the appearance of the new man at the bench an entirely satisfactory fact, a fact which would be fact and theory in one, a fact which would guarantee its own rightness and usefulness. It is unfair, perhaps, to charge the naïve believers in "ca' canny" with thinking that a fact can be entirely self-justificatory. Their view goes farther than this, but with great vagueness. They hope by a furtive stroke to introduce in their own favour a fact that will not be noticed, or, being but little remarked, will not stir up enquiry or resentment about itself, and, to speak broadly, will have no effects beyond its own existence, or only those effects that the introducer foresees and desires. Above all they trust that none will copy their stroke. They venture to interpose upon the movement of events with cloudy hopes of an impossible privacy and an absurd impunity. They seek to act upon the system of human affairs but desire to save themselves from the reactions of the system. It is unfortunate for them that the system is retaliatory and even vindictive, and that their would-be privacies must yield to its merciless observation. For their interposition touches off the unfolding train of effects and awakens the restless tribe of imitators.

The arrival of the new man at the Bench has not escaped the man in the Office, who must find wages for him, and balance higher costs by charging higher prices. But the Bench thinks the Office a shock-absorber. It is inclined to be resentful that the Office should pass on shocks, or even attenuations of shocks, to consumers: for it hopes, in its shallow and greedy optimism, that the strains and tensions which it sets up will be neutralised—it has no idea how—before they can be distinctly known or felt around, and that the reactions of Nature will be brought to a summary stop before harm can be done, at least to itself, so that, at the worst, there will be an hour's excitement in the Office, but afterwards peace again, and "As-you-were." No Office can absorb the effects of "ca' canny" in their full severity, except for a very short time, and then at the risk of its whole future, although moderate shock-absorption is one of the duties of the Office. Inevitably the shock of "ca' canny" must be shared by the consumer in the shape of higher prices. The Bench



would fain be spared this stage in the march of events, hoping vaguely that the consumer will not notice, or, at least, will not strongly resent the rise in price. The consumer easily keeps his temper but cuts down his custom. The fall in demand costs the Office another hour's excitement: and this shock, far from being absorbed internally, is partly passed back to the consumer in still higher prices and partly to the Bench in reduced wages or reduced employment. If it is the wages that go down, the Bench has less to spend, so that those who supply its needs find their business curtailed and must cut down their staffs: and if the men at the Bench are turned off they, as a group, have still less to spend, and they are both unemployed themselves and the cause of unemployment to others. And all this comes of taking liberties with the instincts of effort and the standard of work. Those who take these liberties do this for the best: but their fantastic belief in the momentariness of Nature makes them bad judges of what is best. The "best" they see is the momentary advantage of the new man for whom their forbearance in work has created a brief billet. What they do not see, or see too late, is the interplay of Action and Reaction. In Economic matters one of the chief merits of a system is elasticity, and in an elastic system no shocks are absorbed locally but all are distributed throughout the whole. In Economic matters things done in corners are soon felt far away.

But the worst folly of the momentary view is its omission to ask what others, similarly placed, are doing. The Bench, ill-informed about the rest of the world, deludes itself with a false emotional assumption of the uniqueness of its own case. For the new man's sake the Bench does an act compounded of folly and kindness: kindness in the intention, folly in the result. It is not wholly free from an instinctive awareness of its fault. But it says to itself, "Just this once, and just for this man, because this is an emergency, and there is nothing else to be done." It takes a liberty, feeling itself pushed, deciding hazily that the time has come, justifying itself from what it thinks exceptional in the circumstances, lapsing into sheer sloppiness from lack of knowledge, and clarity, and faith in a standard. If the Bench only knew! Those liberties are being taken everywhere. And everywhere they are being paid for through a sickly standard of work, and through the fruit of that, namely, high prices, and through the fruit of high prices, namely, more unemployment.

## TRADE AND FINANCE, IV.

GERMANY has defaulted. With great effort and much dislocation of the financial machinery of the modern world, she paid the first instalment of the indemnity on the appointed date, the last day of August. Even at that time close observers, predicted that she would fail at the third, if not the second instalment. For the payment of the first she exported some of her gold supplies and utilised balances held by her banks in foreign countries; she negotiated temporary loans, and thus postponed final liquidation; she bought up bills drawn by her exporters upon foreign merchants against the export of merchandise. There is obviously a limit to the supply of precious metals which can be exported in payment of an indemnity. Clearly no nation can go on indefinitely by borrowing from Peter to pay Paul, i.e., meeting indemnity claims by temporary loans from abroad. This is merely a useful method of tiding over a crisis. When, again, the statistics of German exports and imports for the year are examined it is found that the nation had imported necessities on a large scale and that there was no net balance of exports. Consequently, the bills upon foreign countries bought by the German Government were needed by the importing merchants to pay for the import of necessities. The indemnity was paid by postponing payment of trade debts. Little wonder, therefore, that the improvement of the German mark, due to the payment of the first instalment, was purely temporary, and that soon the maturing trade debts caused its value to fall long before the second instalment cast its shadow.

The truth about Germany is by no means easy to ascertain. There are people who maintain that the Germans are only bluffing Europe, and point to recent events as evidence in support of their contention that the country is enjoying a considerable measure of prosperity. Three particular manifestations of prosperity have been noted in this connection, namely, the speculative boom on the Berlin Bourse, the recent investment of German capital in foreign countries, and the boom in the textile industries. If, however, we consider these events together, we find that they may be interpreted in quite a different manner, and that their real significance is not what has hitherto been stated. So long as the people of a



nation retain confidence in their currency they will keep it until they require goods and services in the ordinary way. Property values will reflect the income which is likely to be enjoyed from the property, and secure investments bearing a fixed rate of interest (such as Debenture stock) will be stable at a price representing the capital value of that secured rate. Thus, for example, Debenture stocks in this country, though low in price, are also comparatively stable. But when people lose faith in their currency they seek to get rid of it, and covet something concrete and durable, such as a house or a share in a railway, the price of which, therefore, rises, in terms of the mistrusted currency, out of all proportion to the income-bearing power of the property. There seems to be little doubt that the speculative booms in Germany, during which property values rise out of all proportion to the incomes which they offer, are closely connected with currency inflation and are due to the fear engendered by such inflation. They may be regarded as the first manifestation of mistrust of the currency, the first expression of the feeling of despair of the future of that currency.

The foreign value of the German mark, it is well known, is seriously depreciated. When the currency of a State is depreciated abroad, provided faith in its ultimate stability is not impaired, the investment of capital in that State becomes more profitable, and the export of capital by members of that State becomes less profitable. During the early part of the war, for example, when sterling was seriously depreciated in terms of dollars, the London parity prices of American investments were proportionately high and the dollar prices of British investments proportionately low, that is, British investors were able to sell American securities at a considerable profit (on Exchange) and American investors to buy British investments. Similarly, investment in German securities now appears very profitable because of the enormous number of marks which can be obtained for a pound sterling, and investment by Germans in securities outside of Germany appears to involve them in serious loss. But this is only true provided that the depreciation is a passing phase. That Germans invest abroad in spite of the loss on Exchange seems to be a clear indication of their lack of faith in the recovery of Exchange. They know that further inflation will take place, and that such inflation will be reflected in the future rate of exchange. Two things follow. First, the

pessimists of Germany who own large sums in marks and despair of the future are not content to purchase property in their own country but seek a stake in some foreign country which promises greater security, and they are willing to part even with the ridiculously large sum in marks which, at the present rate of exchange, it is necessary to pay for that property abroad. Secondly, if the German mark is to fall still further in the international market, it pays a German investor to purchase foreign securities now in order to re-sell at a future date: for example, if a German bought British stocks for £1,000 when sterling was worth 500 marks he would make a hundred per cent. profit by selling (and converting his money into marks) when sterling was quoted at 1,000 marks. It is likely that a considerable amount of speculation of this character is going on in Germany, and that if and when something approaching stability is reached in the price of the mark, there will be a proportionate amount of sales of foreign stocks. It is clear that such speculation, in so far as it exists, intensifies the fall in the mark value, and makes stabilisation more difficult and remote; and that the reverse process, if and when it occurs, will either quicken the appreciation of the mark or make available large sums of foreign currency for the payment of indemnity instalments and other obligations abroad. Thus it is by no means to be assumed that foreign investment by Germans at the present time is an indication of German prosperity. It may be (and probably is) but a further manifestation of despair of the economic future of the German State. Foreign investment is a fair test of prosperity only when it is made without injury to the rate of exchange.

Nor are the periodic booms in industry any test of German prosperity. The lower the external value of the mark the higher the internal price (i.e., in marks) of imports. A progressive depreciation thus means a progressive rise in the price of, say, imported wool, and in the cost and price of the cloth made in Germany from that wool. When, therefore, the mark shows signs of a steady fall in value abroad, as was the case in the autumn, everyone likely to need cloth in the near future places his order at once, and a boom results, causing a rise in prices more rapid than would otherwise be the case—the future fall in the mark value is anticipated and immediately reflected in the price of cloth. When the fall in the mark value comes to an end, and particularly when a rise



is likely (as was thought to be the case during the controversy about the indemnity moratorium) the orders fall off and the boom comes to an end. This is exactly what has taken place during recent months.

There are, however, people who rush to the other extreme, and who point to the general financial disorganisation of Germany and her professed inability to pay the second instalment, as evidence of extreme poverty. Such is not necessarily the case. The real test of ability to pay is to be found in the industrial potentiality of the State—its natural resources, its railways and factories and the efficiency of its people. These are fairly well known. Before the war Germany was able to invest large sums annually in foreign countries, and now that she has been disarmed a considerable labour force and a vast industrial plant have been set free to add to that amount, which, however, is considerably reduced by the loss of territory which was economically wealthy. The inability of Germany to meet her indemnity obligations at the moment is capable of simple explanation. In the first place, a considerable proportion of the exports of Germany before the war consisted of shipping and financial services which can no longer be provided. Most of her ships have been taken away. In the second place she has hitherto been compelled to import necessities and raw materials to a greater extent than in former days, with the result that her export balance has disappeared, and, for the time being, the margin which would be available for the payment of indemnity instalments. Until we learn the elementary lesson that we cannot take wealth from Germany until she has produced wealth we shall be engaged in useless controversy which will retard economic recovery. But that, given a chance, Germany is in a position to produce considerable wealth for France and other allies is equally beyond question. These considerations alone show that what is economically desirable is a form or method of payment which will enable Germany to acquire sufficient economic strength to pay the desired sum. And the same conclusion is reached by considering the effects of large indemnity payments within short periods upon the competing industries of this country and America.

## WAGES.

BEFORE the war it was regarded as an economic truism that trade unions would fight more strenuously against a reduction of wages than for an advance. But the events of the last few years have cast doubt upon many economic generalisations, not least upon those relating to labour. Those who read the invaluable monthly publication of the Ministry of Labour (*The Labour Gazette*) must be amazed at the number of agreements which have been negotiated without serious trouble, providing for immediate or periodic and contingent reduction of wages. Cynics tell us that there is nothing to be learnt from the labour history of the past year beyond the fact that industrial workers realised the intensity of trade depression and merely felt that, while so many of their number were unemployed, and many more were 'hanging on by their teeth', strikes against wage reductions were worse than useless. We prefer to believe, however, that recent history teaches more than that. We believe that the 'rank and file' are in silent revolt against the extremists who misled them during and after the war; that they realise that the present industrial depression is not the work of 'rapacious', 'bloodsucking' capitalists; that they are aware that employers are equally the victims of forces beyond their control, and that they are sincerely anxious to do what is right in the present circumstances. They appear to realise, as they have never done before, that they have much in common with their employers, that, indeed, the vital interests of the two sides are identical, and that divergence of interests only makes its appearance when there is a 'surplus' above the minimum needs of the industry. The recently reported offer of the Cleveland workers to accept less than the wages due under sliding scale arrangements is a sign of the times, and when industry revives we not only hope, but expect to find, the same readiness, on both sides, to negotiate further agreements to meet the changed situation. This expectation is strengthened by the experience of industries, such as those engaged in the provision of public services, in which the effects of the depression are not so direct and obvious and strikes would cause serious dislocation and intensify the evil from which the industrial world is



suffering. Here too we find, on the whole, a readiness to negotiate settlements appropriate to the needs of the times. The leaders are governed by considerations which have always had great weight in the past.

Manufacturing industries supplying goods for the open, competitive market fall into two groups. In the first wages were governed by the prices of the goods, and responded quickly to the state of trade. The wages of coalminers and the majority of steelworkers rose every three or four months during a boom in trade and fell when the market turned. The second group consisted of those industries—the majority—in which wages were fixed by agreements, and remained constant during the tenure of such agreements. For those periods the risk to the worker was expressed by the average amount of unemployment and short time, not, as was partly the case in the first group, by the amount of wages paid for work done. In engineering (to take the most striking case in the second group) wage agreements frequently covered a period of three years. The agreements affected a number of skilled crafts, which were exposed to the same risks from outside. Once the *relative* rates paid for different classes of work had been fixed to the satisfaction of all concerned, subsequent changes covered all the crafts and affected them in exactly the same way. The relative rates were gradually evolved during the nineteenth century, and the relationship between them was even more jealously guarded than the standard from which they were measured. A craft which might submit to a reduction shared by all other crafts would oppose, with all its strength, a reduction which was restricted to itself. A *relative* reduction was unthinkable. When, therefore, in 1917, a bonus of 12½ per cent. was granted to skilled engineers and moulders employed on time work, it was inevitable that it should be extended to all the skilled crafts. No one acquainted with the history of trade unionism would have contemplated the possibility of disturbing the relationship which had so long existed between the wages paid in the skilled trades. Nevertheless this relationship is not final. Probably each craft believes it should occupy a higher position in the group. In 1919 skilled moulders fought long and hard for advancement, and a strike such as they declared is generally more severe than any other kind.

In addition to the two groups illustrated by coalmining and engineering there are industries which appear, at first glance, immune from ordinary trade risks. Here the bulk of the

workers are semi-skilled and unskilled, and their wages in general reflect the degree of immunity from unemployment which they enjoy. But there are also, in such industries, skilled workers belonging to crafts which are found, in the main, in the engineering and building trades. These are sometimes covered by the agreements made for the latter industries. Even where they are not, their rates follow, sooner or later, the rates fixed by such agreements. Here, again, the old relationship between rates is regarded as a sacred thing; and when, again, skilled rates are altered in the more stable industries the rates of the remaining workers are adjusted. Partly for this reason wage reductions are being accepted even where there are no agreements relating wages to the cost of living index number. In other words, wages in transport and in public services are dragged along, first one way then the other, by the wages paid in industries which are exposed in greater degree to the risks of the competitive market at home and abroad. But as they are dragged at the end of a rope their movements are not so violent and erratic as the movements in the industries which do the pulling. It is clear that the cost of living is itself a compound of the costs in the two types of industries. It follows that the cost of living figures lie on the rope (sometimes taut, at other times slack) which connects the two types. Further, no solution of the wages problem can be found in agreements under which wages shall vary from an agreed standard according to variations in the cost of living, which is itself a function of wages. We attach greater value to the new spirit which we believe to exist in industry and which may be fostered by wise leadership on both sides.



## UNIVERSITY TRAINING FOR BUSINESS.

ONE of the regrettable results of the industrial revolution and the development of the factory system was the breakdown of industrial apprenticeship. It has frequently been pointed out that an apprenticeship system, to be entirely satisfactory, should satisfy three tests. It should provide adequate training and careful supervision during the plastic years of youth ; it should lead naturally to an open avenue along which the trained youth could proceed and utilize the knowledge he has acquired. With the growth of the large workshop and factory, training became more specialised and less adequate, supervision outside working hours became practically impossible, the prospect of employment as trained workmen grew less rosy and the chance of becoming a small master became extremely remote. A number of craft unions, it is true, have maintained the apprenticeship system, but less on account of its educational value than for its use in limiting the number of people entering the trades which they control. Apprenticeship has become merely the instrument of monopoly. One result is to be found in the scarcity of highly trained workmen, such as engineers, capable of performing the most difficult tasks which the trades present and the low average of industrial training in highly skilled crafts.

Moreover, the growth of the factory has led to the emergence of a calling of a semi-professional character, the "engineer" responsible for the initiation and the control of complex tasks of a technical character. He may be found in all mining and standardised manufacturing industries, and in transport. He is usually trained in the technological department of a University or the senior branch of a technical college. That such training, in principle, is now an essential preliminary to a successful career is beyond controversy, as far as the average individual is concerned.

During the last half century the world of commerce has witnessed a revolution not unlike the earlier industrial revolution. On the commercial side of business the unit has grown, functions have been differentiated, and the higher tasks have become more complex, and carry greater responsibility. The hierarchy of workers resembles that to be found on the technical side of industry. There are general workers doing semi-skilled work, skilled workers employed largely on commercial routine

and people responsible for the administrative tasks of business enterprise. The second class frequently avail themselves of the opportunities provided by evening commercial colleges and schools in large towns, and may be coupled with those craftsmen who attend the evening departments of technical colleges and schools as part-time students. The third group are at present characterised by their heterogeneity. If we take, for purposes of illustration, the engineering industry, we find that there are elderly leaders who have grown up, not only in the business, but with it. As the business grew in size, under their able leadership its problems gradually changed, and the leader was able slowly to adapt himself to the new conditions. The extent to which any great industry will be able, in future, to draw upon men who have received such valuable training in the developing world of experience is necessarily very small. Young men now find themselves planted in businesses which are already on a large scale, and which have been 'departmentalised' to a considerable degree. Then there are people who entered the industry because their fathers were already interested in it, and had acquired considerable wealth by means of it. These young men are able to spend several years of their lives acquiring experience in different departments and thus to fit themselves for the control of the business as a whole. But, even if it were desirable, it would be impossible to secure an adequate supply of recruits in this way. Apart from the relatively few people who rise from the ranks through sheer ability and determination and in spite of serious obstacles, the vast majority of the remainder of those in control of business administration appears to be people trained on the technical side. But technical training alone is far too narrow. Business men frequently complain that while they experience no difficulty in finding men who may be promoted, with good results, within their own departments, or men capable of undertaking highly technical work, it is often impossible to find men who are capable of looking at the business as a whole, and of undertaking the many semi-commercial and administrative tasks which it presents. These tasks are on such a high plane that they presuppose considerable intellectual training; yet they differ so profoundly from those which face the technical engineer or the works chemist that the training provided by the technological departments of Universities does not meet the case. As one proceeds from the commercial side of manufacturing industry to purely commercial enterprises, banking, transport, the commercial work of consulates abroad, etc., the gap which has existed



in the work of educational institutions of various kinds becomes more obvious. And the need for filling the gap has grown more urgent during recent years, when commerce has become so widely extended, the machinery of trade has grown so complex, the competition between countries, and particularly between highly organised commercial organisations in the most advanced countries, has become so keen, and questions of costing, finance, rates of exchange and the like, have become so intricate.

The Departments of Commerce which have been created in many of our Universities represent an attempt to fill this gap. They aim at training men who will be on the same intellectual and economic plane as technical engineers, works chemists, bleachers, etc., but trained more specifically for modern commerce and business administration. Such departments were first established at the Birmingham and Manchester Universities, but are now to be found in most of the modern Universities in this country. They are still largely experimental in character and have yet to justify their existence. They have to fight a great deal of prejudice and much reasoned opposition. They are between two fires. On the one side there are people who emphasize the need of cultural training and the danger that University ideals will be completely subordinated to utilitarian ends. The recent report of the University Grants Committee calls attention to the danger, and stresses the view that any degree in Commerce should include a number of specified subjects now to be found in the Arts curriculum. If all were included there would be no room for anything else, and the value of a special degree in commerce would be no greater than that of the present Arts degree. We believe the view expressed by the Committee to be based upon a wholly superficial view of the problem to be considered and a wrong conception of 'culture.' It might be urged, with equal force, that all the technical degrees—pure science, medicine, law and engineering—should be equally comprehensive in respect of arts subjects. But it is admitted that the intellectual and moral discipline which a University provides can be and is secured through the instrumentality of the existing technical degrees. Similarly one of the two main tests of a degree of commerce is to be found in whether the subjects included in the course call for the same intellectual effort as those included in, say, a degree in pure science.

On the other side there are people who deny the possibility

of a commercial degree which would be sufficiently vocational in character to make it comparable with other degrees as preparation for a career. The Leeds University prospectus points out that "there are obvious differences between a commerce degree and a degree in Law, Medicine or Applied Science. In each of the latter the chief subjects are intimately connected with or essential to professional practice. There are no subjects which have a similar bearing upon the whole field of commerce; nor is there any comparable clinical material upon which the student can work." How, then, can you provide full University training for commercial work? The reply is that while you cannot hope to turn out an accomplished business man, you can do two things. In the first place you can train a student to get to the essentials of a situation, to form a judgment and to place reliance upon his judgment. In the second place this can be done partly through the instrumentality of a group of subjects (economic theory, industrial and financial organisation, statistics, commercial law and accountancy and business administration) which are closely related to the student's future calling. The remainder of his time is devoted to the study of subjects already included in other degrees, in some cases languages or history, in others engineering, mining or textile manufacture. The problem is by no means solved. Manufacturers frequently prefer men trained in the old school to those trained in the new. There is no doubt, however, that some form of training is needed other than that offered by the older University departments, and that business men should not only regard with sympathy the efforts to provide specific University training for commerce, but should lend their active support. It would be appropriate if the Federation of British Industries took the matter in hand, and appointed a committee to examine what is being done and what might be done to secure adequate training for those who will be obliged to lead in the commercial struggle of the future.



## FOOD FOR THOUGHT.

WHEN people, who know what they are talking about, speak of Economic Law they refer to "the correct statement of the invariable sequence between specified conditions and specified phenomena." Unfortunately, however, such indifferent play has been made with the words "Economic Law" that their virtue has evaporated, and many have come to doubt whether the thing itself is not a box of tricks invented by the rich to deceive the poor. To a hungry man, the thought that he is the victim of exploitation designed by others is easier to grasp and more comforting to harbour than the belief that his condition is the inevitable outcome of a chain of circumstances, and he would be more than human if he did not resent the implication that he is himself responsible, in some measure, for his own misfortunes.



These somewhat ponderous remarks are called forth by a sentence which we chanced upon recently in a foreign journal and which defined Economic Law as "the force that keeps prices and profits up whilst it drives wages down." Such a statement is, of course, only in the nature of a gibe and not to be taken seriously. Inasmuch, however, as it indicates the existence of a frame of mind widely accepted, not to say cherished, by a great number of people the dominant idea underlying the extravagance is well worth some consideration. The man who starts with the notion that what is to the advantage of labour is detrimental to capital and *vice versa*, will never arrive at a correct interpretation of economic tendencies, because he has set his course against wind and tide in defiance of the proved facts of the case. Labour has to undergo its greatest hardships during trade slumps when capital is temporarily deprived of its profits, and substantial increases of wages are only possible in times of business prosperity. It cannot be otherwise, for although Labour may demand what does not exist, Capital cannot distribute profits which have not been made. On the other hand, Capital cannot prevent Labour from participating in the benefits brought about by good trade because there is no possible outlet that does not involve the hiring of labour. The law

cannot be evaded, and it is a physical impossibility for anybody to spend money without employing labour either directly or indirectly.



During the last few weeks vast sums have been subscribed by the investing public in response to various capital issues. Tens of millions of pounds have been raised for electrical undertakings, housing schemes and other public works. What is the destination of these savings? How can they be disbursed except in one way, and in one way only?

These schemes will not absorb all the labour that is available, but they will tend in that direction. The greater the amount of capital that comes forward the more will unemployment decrease and, as the demand for labour develops, so will the remuneration of labour grow both in rate and in volume. As earnings mount consumption will increase. This again will necessitate the employment of more labour and so when the various factors have had time to react upon each other we shall find ourselves once more on the high road to that revival of trade which, sooner or later, is bound to emerge in spite of all the hindrances that the croaking fraternity can suggest or devise for our undoing. That is one side of the picture, but unfortunately it is not the only one.



In the article "First Thoughts" on an earlier page in this number, we deal with another aspect of the incidence of Economic Law and show how *ca' canny* at the bench reacts throughout the industrial world and contributes to the spread of unemployment. In similar fashion one might analyse all those several enemies of well-ordered progress in the field of industry and demonstrate how every deviation from the strict path dictated by economic considerations, in the widest and best sense, leads to disaster—no matter how excellent may be the intentions of those who refuse to be guided by the hand of experience. There is quite enough room, and to spare, for improvement, there are plenty of fruitful experiments worth the making and there is no shortage of admitted abuses to be rectified, but only loss and disillusionment can result from the wilful repetition of past errors in the stubborn pursuit of some shibboleth which has failed on every occasion that it has been put to a practical test.

When Economic Law operates without human intervention its manifestations are recognised and its consequences accepted



in quite a different spirit than is the case when man is seen to have blundered. Bad harvests following upon drought or flood cannot be attributed to any other agency and are not misconstrued. When the weevil devours the boll and brings about a short cotton crop, nobody is surprised that the cost of the raw material should go up and that the price of Lancashire cotton goods should advance, but there is not the same readiness to connect cause and effect when the cost of building is increased by the action of bricklayers who deliberately limit their output.



But economic error, that is to say flying in the face of economic providence, is not confined to the workshop, and even statesmen are sometimes caught napping. For example, the Spa Conference upset the equilibrium of international trade and brought about a state of affairs which, though entirely unexpected by its authors, was none the less disastrous to this country. We refer to the compulsory export of coal from Germany to France in excess of the economic needs of the recipient. When the French found that they had a surplus they naturally proceeded to dispose of it abroad, with the results that the British export trade was disorganised, the price of coal in foreign markets came down with a rush and the coal strike was precipitated, to the lasting injury of British industry.

The daily press makes it a habit to boil over with righteous indignation and to assume a prescient superiority whenever a miscalculation of this sort is brought to light and we are instructed, to the point of weariness, that nobody with the least aptitude for business could possibly be so short-sighted and so insane. These editorial ebullitions are less convincing, however, when one remembers three things. Firstly, that it is but rarely that these cocksure critics are wise before the event. Secondly, that statesmen do not take action in such matters without expert advice, and thirdly, that the adjustment of economic questions on an international scale is largely an unexplored field in which pitfalls are many and signposts few and far between. For our part we do not despond. On the contrary, we believe that where Versailles and Spa failed Washington and Cannes will succeed—not to the satisfaction of Fleet Street—for that is too much to expect—but more modestly in the sphere of the gradual rehabilitation of Europe.



## DAY BY DAY.

(A monthly Record of the principal events, at home and abroad, which have a direct bearing upon the maintenance, or otherwise, of peace in industry).

**Dec.** The Ministry of Labour index number fell to 199—the lowest figure recorded since May, 1918. In December, 1920, the corresponding figure was 269.

**1st.**

Changes in rates of wages during November resulted in a total reduction of about £1,150,000 in the weekly full-time wages of over 3,450,000 workpeople.

121 trade disputes involved the loss of about 250,000 working days and caused about 36,000 people to be thrown out of work.

Unemployment among trade unionists rose to 15.9 per cent., and to 15.7 per cent. among workpeople in insured trades. The Employment Exchanges registered 1,834,000 as unemployed on December 2nd, and 268,000 as working short time.

Welsh copper workers agreed to a reduction of 12½ per cent. in wages.

Cleveland ironstone miners, at a conference with the employers, agreed to surrender their minimum wage of 8s. a day and have their wages regulated entirely by output.

**2nd.**

Following upon the resolution passed at the London Labour Party Conference, the Communist Party has renewed its application for affiliation. The National Executive of the Labour Party, however, refused to grant the request.

The jury awarded Mr. J. H. Thomas £2,000 damages in his libel action against the editor of *The Communist* and others. Mr. Justice Darling called the attention of the Law Officers to the seditious character of *The Communist*. Mr. Thomas established the point that the duties of a trade union official are compatible with the office of a Privy Councillor to His Majesty because the proper progress of the trade union movement cannot conflict with loyalty to the State as a whole.

**3rd.**

Workers in the Scottish woollen industry have agreed to a reduction of 5s. weekly for men and 3s. 6d. for women.

Messrs. J. & P. Coats's threadworkers' wages have been reduced by 7s. a week.

**7th.**

Trade Boards Enquiry Committee: The co-operative movement throughout England and Scotland gave evidence in favour of the work of Trade Boards. The Secretary of the Parliamentary Committee of the Co-operative Congress said that the societies wished to support the ideal of a minimum



living wage, without interfering with reward for merit, and the Committee did not think that the powers of the 1918 Act had been too widely used. On the other hand, Mr. A. Balfour, speaking for the Association of British Chambers of Commerce, said that all the Chambers had criticised the Boards adversely. There was no objection to the 1909 Act, but the unrestricted powers given under the 1918 Act were too wide. It was impossible to fix a minimum without it becoming a standard, and it was impossible after that to pay for extra efficiency because there was immediately a demand for the minimum to be increased to the extra efficiency wage.

8th. The National Joint Council of Labour held a special meeting to consider the relation between unemployment and the international situation. Various attempts were made by the "organised unemployed" to discuss revolutionary measures, but the Executive insisted upon confining business to the effect of the economic clauses of the Peace Treaty and of the Russian situation on industry in this country. A resolution was passed calling for a reversal of international policy in regard to Russia and Central Europe.

9th. A conference of the municipal tramway authorities of the country, convened by the Municipal Tramways Association, unanimously affirmed their desire to maintain the normal 48-hour working week, but having found the guaranteed 48-hour week, as provided by the agreement of March, 1919, unworkable, they requested that the National Industrial Council should appoint a committee to revise the agreement. Should the men's representatives refuse to co-operate on such a committee, the employers will give notice to terminate the agreement.

Mr. Justice Sargent gave a verdict in favour of the plaintiffs in an action brought by members of the National Society of Operative Printers and Assistants against that Society. The plaintiffs petitioned that a levy arising as a result of a ballot taken under illegal conditions should be declared unlawful. The Judge found that the ballot had not been secret because the papers were marked with the member's number before being issued and were not subjected to the scrutineers specially appointed for a general ballot, but were scrutinised locally.

12th. At Southwark County Court, Thomas F. Simmons, perambulator manufacturer, was ordered to pay arrears of wages withheld from an employee by paying him at a rate lower than that set by the Trade Board. The defence was that payment had been made in accordance with an agreement entered into on both sides, but the Judge found that the

defendant had defied the law and had intimidated those for whose protection the law was devised.

- 14th. The Labour Party, acting under the presidency of Mr. Clynes, requested the Prime Minister to receive a deputation, before Parliament was prorogued, for the purpose of discussing the resolutions of the Special National Conference on Unemployment held last week.

The General Council of the Trade Union Congress, in a manifesto to its affiliated organisations, declares its determination to resist "a widespread and carefully organised conspiracy to secure (a) Unreasonable reductions in wages, (b) A drastic extension of the normal working week."

- 15th. At a special meeting of the National Industrial Council for the Tramways industry, it was unanimously agreed to appoint a joint sub-committee to consider and revise the whole of the terms of the agreement of March 1919, without any conditions binding the Council to adhere to the guaranteed 48-hour week.

The Prime Minister explained to a Labour deputation the Government's view of the relation between unemployment and foreign policy, and asked for a clear statement of the Labour Party's suggestions so that he could include them in his discussion with M. Briand.

- 17th. Mr. F. Bramley, Secretary of the Parliamentary Committee of the T.U.C., states that during the year ended September 30th, trade unionists have subscribed 20 million pounds towards unemployment benefits—apart from State insurance benefit. The official membership recorded in September was 6,416,510.

- 18th. Farm workers throughout West Norfolk are on strike as a protest against the employers' announcement that wages will be reduced to 30s. per week in January. The men are supported by their union.

- 20th. Farmers in Essex propose to reduce wages to 8d. an hour for such time as is actually worked, and on February 6th to further reduce them to 7½d. The Conciliation Committee has not yet come to an agreement.

- 21st. The University Labour Federation held their first annual meeting at the London School of Economics. The following officers were elected: President, Mr. R. H. Tawney; Vice-presidents, Mr. Hugh Dalton, Mr. G. H. D. Cole and Principal, Mr. F. B. Jevons; Chairman of the Executive, Mr. K. M. Lindsay, and Secretary, Mr. Arthur Henderson, junior.

In the Boot and Shoe Industry a national agreement has



been made fixing wage reductions, dependent on a gradual fall in the cost of living, until November 1922.

22nd. The National Alliance of Employers and Employed is successfully organising six to nine months' courses for educating young trade unionists in economic theory. A committee of trade unionists and of employers nominate the members of a class who then receive instruction through the local university or highest educational authority in the district. The aim of the course is to place students in possession of such facts as will enable them to submit all statements, whether they come from the moderates or the extremists of Capital and Labour, to the principles governing industrial production and industrial relationships.

23rd. Railwaymen's wages are to be reduced by 4s. a week on January 1st. Under the sliding scale agreement wages rise or fall 1s. for every five points variation in the index number.

28th. Farm Wages: The Norfolk Conciliation Committee failed to come to an agreement on the farmers' proposal to pay a wage of 30s. a week during January. It was decided to submit the matter to the executives of the National Farmers' Union and the Agricultural Workers' Union.

30th. Farm wages in East Yorkshire are fixed at 35s. a week until February 25th.

Agricultural workers in Devon are resisting the employers' decision to reduce wages from 38s. to 34s.

Considerable unrest prevails amongst coal workers in Wales, Scotland and the north of England. Wages everywhere are approximating closely to the minimum, and in some fields the owners declare themselves unable to pay the district rates.

At a meeting of the National Maritime Board, Mr. Havelock Wilson strongly resisted the proposal to reduce the wages of seamen and firemen by 14s. a week. The men offered to submit the question to arbitration.

The National Union of Ship Stewards, Cooks, Butchers and Bakers, and the British Seafarers' Union have affiliated to the National Transport Workers' Federation and have adopted the title of the Amalgamated Marine Workers' Union.

31st. The new Transport and General Workers' Union have elected the following officers for the coming year: President, Mr. Harry Gosling; General Secretary, Mr. Ernest Bevin; Treasurer, Mr. Stanley Hirst. The new organisation embraces thirteen unions, including the Dock, Wharf, Riverside and General Workers, the United Vehicle Workers and the National Union of Vehicle Workers.

## ECONOMICS STUDY SCHEME, No. 2.

*"Economics is the unseen thread on which the progress of mankind is strung."*

### **Last year's Course.**

During the six months ending August last, we conducted through the medium of *Industrial Peace* a short course of study in Economics and Sociology. The course was open to teachers in elementary schools only and something of its ultimate worth and purpose can be gathered from the following extracts from letters (typical of many) which we received from candidates towards the close of the scheme.

(a) *"The course of study we were led to undergo was a reward in itself, being greatly interesting, bearing as it did upon the problems of everyday life."*

(b) *"The wider outlook which one gains from such a course is invaluable to a teacher."*

(c) *"I have organised a full four years' course in Geography and History leading up, in the fourth year, to work in Industrial History and Geography of the British Isles, Economics and Civics. My boys range from eleven to sixteen years of age, and the older ones are very keen on Economics—the application to life is so evident."*

(d) *"Economic questions had often puzzled me, but the books seemed usually so costly that I had never studied the questions systematically. Your scheme solved both difficulties—it provided the books and guided the reading."*

### **The present Course.**

As already announced in the December number of *Industrial Peace*, the success of the first scheme has induced us to undertake the organisation of a second course to be conducted, generally speaking, on similar lines but open to all members of the teaching profession and to some other classes of workers.



**Objects of the Scheme** Our object in organising the Economics Study Scheme is primarily to stimulate interest in this all-important science by making the first steps as easy and as attractive as possible. Economics is a subject which has been sorely neglected in the past. It has generally been considered controversial, dull and depressing. It is not a subject usually included in school curricula. All these factors have combined to oust it from the average degree course, with the result that its principles are ignored even amongst otherwise highly educated men and women. We feel that it is necessary to do something to help to fill the gap and know no better way of making a start than by offering these facilities for study. Two or three hours' reading a week is all that is essential for our immediate object. We have purposely confined the work within narrow limits because we know that when once the elements of the science are assimilated a great proportion of readers will seek further knowledge in a subject of such profound interest and practical value.

In order to encourage study of the principles underlying and governing the economic life of a modern State, the Central Council for Economic Information offers money prizes of a total value not exceeding £1,050 to be competed for under the following conditions :—

**Those eligible.** The Course will be open to four groups of professional workers, *viz.*,

(i) Those who are being trained for the Teaching Profession.

(ii) Teachers in Elementary Schools ;

(iii) Other members of the teaching Profession, *e.g.*, those working in Secondary, Continuation, High Schools, etc.) ;

(iv) Industrial and Social Welfare Workers.

All four classes are open to both men and women who have not taken a degree or diploma in Economics and who are not pursuing a University course in that subject. No entrance fee will be charged, nor will entrants be under any obligation beyond being expected to conform to the rules laid down for the conduct of the scheme.

The groups will be self-contained, the candidates in each section competing only amongst themselves and the prize money will be apportioned strictly on a *per capita* basis.

#### Prizes.

TO EVERY FIFTY CANDIDATES in each of the respective groups there will be offered for competition fourteen money prizes amounting to £75. In each class of fifty persons there will be given one FIRST PRIZE of £20, one SECOND PRIZE of £15, one THIRD PRIZE of £10, one FOURTH PRIZE of £5, and TEN CONSOLATION PRIZES of £2 10s. 0d. each.

These Prizes will be awarded on the merits of the answers to a series of questions on economic subjects that will be published in *Industrial Peace*, on or about February 15th, April 15th, and June 15th, in the year 1922. Two months will be allowed for each set of questions, the answers to the February paper being due not later than April 15th and so on. The results will be published and the prizes distributed in September next.

#### Books.

The entire literature necessary for the course of study will be lent free of cost to candidates who do not wish to purchase the books for themselves. The questions set will be such as can be answered adequately by candidates having a knowledge of the following:—

(i.) *The Economics of Everyday Life*. Part I. By Sir Henry Penson, M.A. (Cambridge University Press, Fetter Lane, E.C. 4s. 6d. net).

(ii.) *Social Economics*. By J. H. Jones, M.A. (Methuen & Co., Essex Street, W.C. 6s. net).

(iii.) *The Ethics of Citizenship*. By John Maccann, LL.D. (Maclehose, Jackson & Co., Glasgow. 3s. 6d. net).

(iv.) A selection of *The Oxford Tracts on Economic Subjects*. (Free to Candidates).

**Examiners.** The following have consented to act as EXAMINERS for the course:—MISS L. GRIER, M.A., Principal of Lady Margaret Hall, Oxford, and formerly Lecturer



in Economics, Newnham College, Cambridge. PROFESSOR J. HARRY JONES, M.A., Professor of Economics in the University of Leeds and formerly Fellow of the University of Wales; and SIR HENRY PENSON, M.A., Lecturer in Modern History and Economics at Pembroke College, Oxford.

**How to  
Apply.**

The *Oxford Tracts* and the necessary copies of *Industrial Peace* will be supplied free to every candidate. Those who propose to take advantage of the facilities provided by the Central Library for Students (9 Galen Place, Bury Street, Bloomsbury, London, W.C.1.), must make their application on the forms which will be supplied for the purpose to every candidate. Persons who are eligible and who wish to enter for the course must fill in the accompanying form and post it to

The Secretary,  
Study Scheme,  
c/o *Industrial Peace*,  
20 Magdalen Street, Oxford.

*Not more than seven hundred Candidates can be accepted.*

In the event of more than 700 Candidates entering those whose applications are in excess of that number will be so advised by postcard, but their names will be registered in order, as received, so that they may be considered later should opportunity occur.



No. LIV

**FEBRUARY**

MCMXXII

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"Education is to teach us how to live."



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# INDUSTRIAL PEACE

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# INDUSTRIAL PEACE

## TRADE RECOVERY AND REPARATIONS.

IN looking for the causes of the long continued trade depression and period of unemployment, some have concentrated their attention on domestic causes, such as the transition of industry from war to peace, the demobilisation, labour disputes, the falling off in the output of coal, dearness of transport, heavy taxation, etc. Some have found the cause in the fluctuations of the foreign exchanges, which have interfered greatly with our trade, not only with the former enemy countries and with Russia, with whom the exchange is in our favour, but also with countries like America and Sweden, with whom the exchange is against us. Some have put down the falling off of our exports to the stagnation which exists in other countries besides our own, and some, though perhaps only a few, have realised that the cause is primarily political. Three years, they would say, have elapsed since the cessation of hostilities and we have not yet arrived at a final settlement, and real peace is very little nearer than it was.

There is little chance, it may be asserted without much fear of contradiction, of the return of world trade to normal conditions until:—

- (a) The world is at peace in fact as well as in name.
- (b) The old confidence is restored between buyer and seller and the system of international credit, in consequence, re-established.
- (c) The foreign exchanges have recovered to such an extent that currencies have an external purchasing power equal to the internal and hence are able to effect the exchange of goods on an equal footing.
- (d) Such countries as Germany, Russia and Austria are built up economically, and are able again to supply the world with their products and to demand in return what they need for consumption or for industrial use.

As it is at present, the economic machine, the result of generations of work and of experience, the machine to the setting up of which the individual's pursuit of economic gain has unconsciously contributed more than any direct or conscious effort, has broken down and left the nations of the world with

crippled trade, with starved industries and with wholesale unemployment.

But where do political causes come in? Doubtless in many ways, but for the purpose of this article it must suffice to concentrate on one of them, namely, that which is connected with the Reparation payments due from Germany to the Allies. It is generally agreed that, for the trade recovery referred to above, Germany's re-entry into the markets of the world with something of her pre-war position is an absolute necessity, and the question is—is there any reason to suppose that the enforcement of the payments according to the agreements concluded should delay that re-entry or even postpone it indefinitely? This depends entirely on Germany's power to pay. It is not as if it were a question of payment or non-payment, for somebody has to pay. Territories have been devastated and must be, so far as possible, restored to their former condition, damage has been done and must be made good. If Germany does not pay the bill France, or England, or Belgium, or Italy must. But is Germany in a position to pay? It is on this that the whole question turns. If it were a single payment that were demanded, and if it were a matter of indifference to the rest of the world how Germany was left after the payment was made, it might generally be admitted that by a superhuman effort she could raise the money and discharge her obligation, though this would be like farming a piece of land in such a way as to get an enormous crop one year and by so doing exhaust the soil to such an extent that for some time after the crops from it would be almost negligible. But the exhaustion of Germany cannot be a matter of indifference, and so the Reparation payments are to be made in instalments extending over a long period of years.

The present problem is whether Germany can meet the instalments as they fall due, and this, bearing in mind the need of Germany's taking her place again in world trade, must depend on whether she is able to produce annually without impairing her means of production, an amount of wealth sufficient to provide for her own wants and to leave a surplus available for Reparation payments. Hitherto, it has been generally supposed that she could do this, and there has been talk of compelling payment if the instalments are not punctually paid, but from what took place at the Cannes Conference it is pretty evident that in the opinion of the allied representatives, Germany is experiencing a real difficulty



in meeting the payments due. Whether this inability is to be attributed to the insufficiency of her resources or to an unwillingness to utilize them for this purpose is a matter of dispute, but there is very little doubt that the so-called prosperity of Germany has been very much over-estimated.

The close of the War found Germany in a condition of almost complete economic collapse. From this she has made a very remarkable recovery and her industrial life seems to be going on in full swing, but so far she does not seem to have been able to do more than to replace depleted stocks, to make good deficiencies in equipment and to pay, in a depreciated currency, the external value of which is far less even than the internal, for the food and raw materials from abroad without which she could not carry on.

When the terms of payment were agreed upon, it was calculated that Germany's productive capacity would increase at a much more rapid rate than it has done and, hence, there would seem to be very good reason for the action taken at Cannes in allowing easier terms of payment for the current year. But this was only a preliminary measure, and the concession made was conditional on a thorough reform of Germany's financial policy and administration. Whether the Conference would, or could, have taken up and re-examined the whole question of Reparation is doubtful, but Briand's fall brought the Conference to an untimely end. If the Genoa Conference comes off, the matter will probably be taken up again, but whether discussion will go beyond the question of dates and instalments it is difficult to say. The French attitude seems to be that the amount has been fixed once for all, but there is a rapidly growing feeling in this country, at all events, that in the interests of trade and industry generally, a full investigation should be made as to Germany's power to pay the amount previously fixed, and if it is considered that the sums now demanded are such as to weaken her power to pay in the future or to prevent her contributing to a general trade recovery, a case would seem to be made out for re-consideration and revision.



## THE FACTS OF THE CASE IN DIAGRAM, XXII.

RECENT diagrams, published in these pages, dealing with National Expenditure, have omitted all reference to the large sums that have to be set aside annually for the payment of interest on the National Debt and for the reduction of national capital indebtedness. Expenditure devoted to these services differs in kind and in degree from that which we have considered hitherto. Standing as the first charge against the Revenue, it is nearly immune from political interference and offers little field of opportunity for the pruning-knife of retrenchment. It sounds paradoxical to say so, but the greater the expenditure on these services the greater will be the resulting economy. A spendthrift Government might attempt to suspend the operation of sinking funds and an over-provident Government might endeavour to pay off debt at too rapid a rate, but in general it may be held that the necessities of the case are too rigid to allow more than a minimum of latitude either in the direction of expansion or diminution of the annual expenditure under these headings.

Diagram No. 40 deals with the National Debt Services for the year ending 31st March, 1921, and shows the amounts issued from the Exchequer during that period for payment of Interest on the Funded and Unfunded Debt, for Terminable Annuities, for Sinking Funds and for Interest on War Debt. The Diagram is based on the figures to be found in the *Finance Accounts of the United Kingdom for the Financial Year 1920-21*, as presented to Parliament last June. In some instances these figures have been regrouped for our present purpose, and reduced to round numbers—but such adjustments balance each other and do not involve any appreciable departure from the official summary.

The scale on which Diagram No. 40 is drawn differs from that used for the exhibition of the other sections of public expenditure dealt with in previous diagrams. The change is accounted for by the fact that on this occasion we have to find room for the representation of sums of money too large to be accommodated on a single page without a reduction of scale.

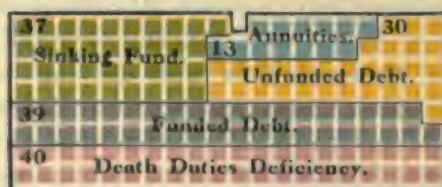
In order to facilitate comparison with the official return we have retained the distinction between the interest on debt



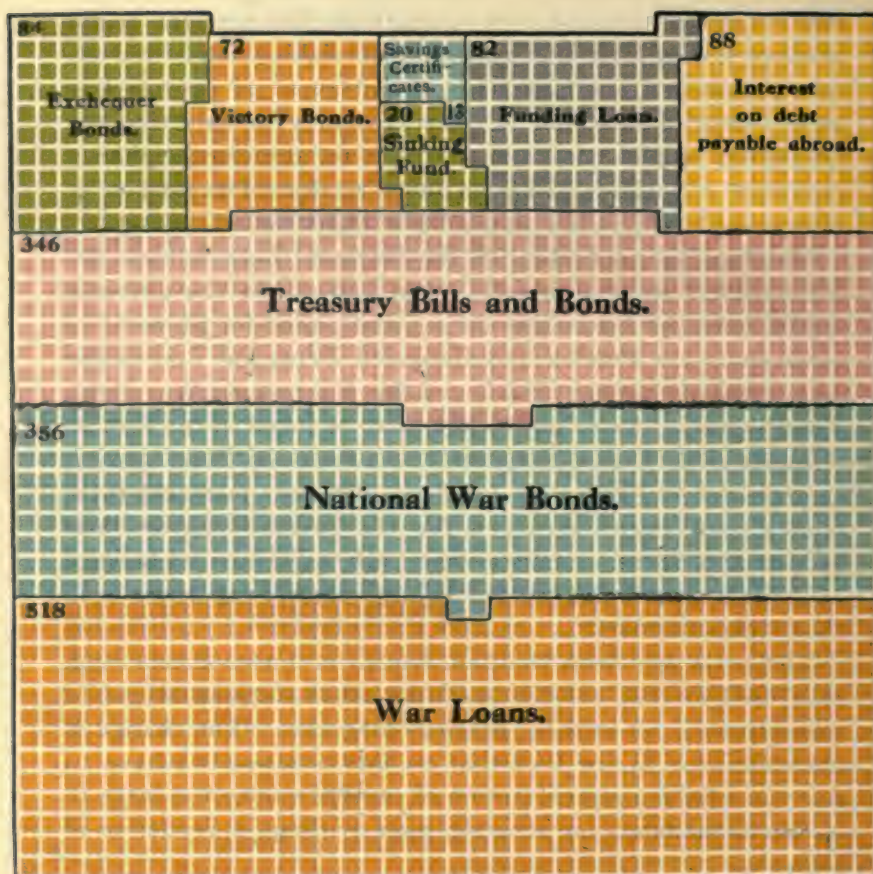
## DIAGRAM No. 40.

(Note.—The figures in this diagram indicate the number of squares in each group.)

Year ending March 31, 1921.



Interest on debt (inside the fixed annual charge).



Interest on War Debt (outside the fixed annual charge).

ANNUAL COST OF THE NATIONAL DEBT.

Scale: each square of colour represents £200,000.

inside the permanent or fixed annual charge and interest on debt outside the fixed annual charge. The latter, which represents interest on War Debt, is, roughly speaking, ten times as great as the former, which refers to the annual interest payable in respect of liabilities incurred before 1914. The smaller block consists of 159 squares representing an expenditure of £31,800,000, whilst the larger contains 1579 squares and represents an expenditure of £315,800,000. The individual liability works out at a little more than £7 a head per annum.

It will be observed that nearly 95 per cent. of the interest payable on the National Debt in the year under review is in respect of internal loans—only 88 squares out of 1738 being allotted to interest on debt payable on loans contracted abroad.\* It is satisfactory to remark that the American Loan was reduced by over 50 million pounds during the year.

Only 13 squares are devoted to National Savings Certificates. The comparative smallness of this item is somewhat surprising at first sight, considering the vast number of these certificates that have been issued.† The explanation of this disparity is that the interest is not paid annually but is added to the capital until maturity is reached. The interest accrued on certificates outstanding amounted on the 31st March, 1921, to about £35,000,000.

No space has been allotted for expenditure connected with the management of the debt, and expenses incurred under various War Loan Acts, etc. The reason for this omission is that such expenditure would be more properly scheduled under the heading of Civil Services. If included, an additional eleven squares would be required.

Finally, we may add that a White Paper recently issued by the Treasury states that the nation's dead-weight debt for the current year shows a decrease of £246,334,610 as compared with the year 1920-21. This reduction of debt represents an annual saving of about twelve and a half millions in interest and decreases individual liability by some seven shillings per head per annum.

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\* In this connection it may be noted that according to House of Commons Paper 142 the total external debt on 31st March, 1921, amounted to £1,161,563,174.

† The total number of Savings Certificates sold up to the end of January 1922 was 501,064,647.



## SECURITY AND EFFICIENCY.

THE persistence of the present chaotic state of the chief industries of the country has caused us to realise the degree of our dependence upon the rest of the world. We grew comparatively wealthy during the nineteenth century by concentration and specialisation. Under the stable conditions of pre-war trade, we clearly recognised the advantages of development along that line and ignored the attendant risks. But now, the more timid among us are ready to doubt whether it was worth while and to wonder whether we would not have been wiser to preserve a greater degree of economic independence even though material progress had been thereby retarded. Security has acquired a new value in their eyes.

Risks affect people in different ways. Risk, with the reward which successful adventure brings, acts as a stimulus to many, and these become the pioneers—the Scotts and Shackletons of industry. They are an important, if not, indeed, the main instrument of economic and social progress. It is one of the greatest weaknesses of Socialism that it does not appear to offer an adequate substitute for the stimulus provided by competitive risks of this character, and may therefore result in economic stagnation.

But risks vary in kind. The average worker is exposed to many which have a depressing rather than a stimulating effect. There is first the risk of dismissal by a capricious employer or foreman. In private industry there is at present no court of appeal. It is this fact more than any other which emphasises, in the mind of the worker, the inferiority of his status; the psychological effect has been very profound. The writer knows a case where a new manager in a large works proceeded to make the position of two of his staff very uncomfortable, and ultimately dismissed them, not because they were inefficient but merely because he wished to introduce certain others in their place. What a difference it made in the outlook of the two families! One of the most difficult problems in industry to-day is to find some means of abolishing such abuses of power. Then there is the risk of unemployment due to trade depression and other factors beyond the workers' control. In addition to these there are first the risk of want due to temporary sickness, and secondly the risk of extreme

poverty for the family on account of the complete breakdown or early death of the bread-winner.

Until quite recently the life of the worker was one of uncertainty: the growth of wealth during the nineteenth century brought him no real security. Provided all went well, he was able to secure for his family at least the necessities of life and most of those elementary comforts which were possible, on the average, at that stage of economic development which had been reached. But if he was unfortunate he was severely punished for his misfortune. His life was thus dominated rather by fear than by hope; and fear breeds resentment against those who are not in like state. Removal of such fear seemed likely to create a new spirit, and amongst other things, to react upon industrial efficiency. Germany led the way and was followed by Austria. In due course we, who had already provided old age pensions, established schemes of insurance against sickness and against unemployment due to forces beyond the control of the worker. They were undoubtedly steps in the right direction, but they left the most serious problem untouched.

The greatest fear of the average worker is neither unemployment nor temporary sickness. The difficulty which these create can be overcome in the absence of insurance by credit, by private loans and, ultimately, (though we do not refer to it as a desirable method) by pawning capital goods. Often private savings render these supplementary methods unnecessary. What the average worker dreads most of all is that he may break down permanently, or die while his children are still young, and his dependents thus be brought to a state of extreme poverty. At present the poor law alone stands between them and starvation; and everyone hates the law as it stands. If security against this greatest risk could be provided it would produce a more profound psychological effect than any measure of social reform yet enacted or contemplated. People often charge the "working-classes" with thriftlessness. Thrift is only to be expected provided that the individual is confident that his savings are likely to bring more than the mere postponement of the evil day which, if he is unfortunate, is bound to dawn sooner or later. Voluntary saving, to the average worker, is a speculation rather than an investment. Those who served with the forces during the war, did so knowing that if they fell their dependents would be entitled to pensions. Is it possible to overrate



the influence of such knowledge? We believe that the next and most important step in social reform is to provide similar pensions to the dependents of those soldiers of industry who fall out of the ranks, whether they fall early or late—the amount of such pensions varying with the size of the family and the average income of the ‘soldier’ before he fell.

The German scheme of social insurance provides some measure of benefit of this character. Insurance against permanent invalidity is combined with that against early death and separated from (temporary) sickness insurance. In the British scheme sickness and invalidity insurance are combined. Actuarially and economically the German scheme seems sounder than ours, and has stood the test of long experience. Essentially, permanent invalidity is more closely akin to early death than to temporary sickness, for in the first two cases the evil is *permanent* loss of income to the family. The British scheme makes no provision against early death. Probably there were strong vested interests to be considered when the Health Insurance Act was passed. While they should again be considered, they must not be allowed completely to block progress in this direction. It may be urged in reply that while an industrial pension scheme of the character we had indicated may be desirable in itself, and might have become practicable if there had been no war, it is now beyond the range of practical politics merely on account of the expense which it would entail to the State, which is already overburdened with the cost of the war and of pre-war social reforms. It cannot be denied that there is force in this argument. But, in the first place, such a scheme should be examined in great detail before any definite proposal is made. Such examination would itself necessitate time.

In the second place, it is by no means certain that the net cost would be prohibitive. The scheme would result in considerable savings in other directions. Families which would benefit under the scheme must, in any case, be maintained, either by voluntary effort or by poor law authorities. Possibly the sum saved on poor relief would prove to be a considerable fraction of the cost to the public. For it is not suggested that, like old-age pensions, the scheme should be non-contributory: the cost would be divided between the State and the insured person, and the contribution and benefit would vary according to wages or salary. Finally, the nation would benefit not only by the new security and consequent happiness

following upon the scheme, but also by its reaction upon the efficiency of Labour as a whole. Recently an insurance scheme (combining life and endowment) has been established for teachers in Universities. Although a part of the premium is paid by the individual (and the real incidence of the whole of the premium may be regarded as resting upon him) it has undoubtedly revolutionised the profession which, at one time, was among the least attractive, financially, of any. Compulsory saving combined with an adequate guarantee for the future which insurance makes possible, would undoubtedly change the spirit prevailing in industry. Uncertainty would be transformed into certainty and despair into hope; voluntary saving for other purposes would become worth while; citizens would have more to gain from the stability of Government, and for this reason Bolshevik tendencies among extremists would find even less favour than in the past.



## MORE FIRST THOUGHTS.

IF the practical task of the Economist is to replace First Thoughts by Second Thoughts in whoever will listen to him, few topics need his exorcisms more than does Taxation, and Taxation never more than now. For throughout the country First Thoughts on this topic resound with clamour and menace. The principles and methods of Taxation are misunderstood vociferously. Impulses of selfishness breed monstrous fallacies. And no wonder, for at the best tax-paying is an emergency, and painful, while on its present scale it throws its victims into paroxysms of despair. It is hard to be wise in a paroxysm. Thus poor men, who are perhaps easiest upset of all by the State's exactions, will cry out for a "tax-free breakfast table." If breakfast viands go free, other meals, of course, must take the burden. But if one is a sentimentalist about breakfast, one may find a satisfaction and almost a "value" in not having to begin the day with the old wearisome bugbear. This emotional success in establishing a close time against tax-paying is short-lived. Moreover, those whose emotions, or nerves, drive them to such courses are just the men to seek, as they think, to escape taxation altogether. "*We are too poor: we ought not to have to pay at all,*" some of them think, and say too. Give them an ostensible immunity from taxes, and their hearts will leap for joy in their freedom. But would they be free in reality? They see the grant of immunity: they scarcely see as yet the revenges which the System of Things will take on them. For those who are left to groan under the weight of taxation will try to pass it on, and most likely they will succeed, at least in part. Their success makes mock of the supposed immunity. Their failure, whether entire or only partial, embarrasses their business efforts. This is to buy immunity for one class at the cost of the energies of another, and that other the more active and responsible section. Those who shirk taxation will pay for their immunity in higher prices and unemployment. We are all of us ready enough at all times to pass on taxes by increasing our charges. But very heavy taxes combined with a sharp sense of grievance can turn those foolish immunities into curses. It is useless to try to escape the burdens of taxation in this way. For success therein—or rather the semblance of

success—will be noticed and resented, and countered in ways not foreseen. The "immune" will end by being worse off. The System of Things will have kicked back.

Another vicious sentiment of more recent growth blinds many to the real nature of taxation. Taxes are now at so gross a level as to seem a penal thing. Even before the war the agitation against the rich and the trend of the Budgets had made the possession of wealth seem a wrong to be castigated by the State through taxation. The old view was that the State being charged by the public with certain duties, one of these duties being to guard against injustice and interference, asked the public for the modest wherewithal. But modern taxation, the income-tax, for instance, has the aspect of a very Inquisition: first merciless and minute examination and then a staggering impost. Thus many have taken "E.P.D." to mean a duty on excessive profits. The paying of it, they think, classes a man as a "profiteer." And it is all very natural. The crack of the tax-gatherer's whip—and what a whip it is nowadays!—rattles the best and stoutest of us. The worst of us scarcely even try to think straight. They pour forth First Thoughts as soon as the torture touches them. "Go to the rich," they say, "and leave us alone: they have piles of swag, and it will serve them right." It is ever so natural. It is as wise as most other hysterical outbursts. If the tax-gatherer hurries off to harry the rich, that can be seen, and for the moment the poor man draws breath again. What escapes him is the inevitable sequel. He regards the rich as shock-absorbers, very much as in another connection the "ca'canny" workman regards the Office. A rich man earning, for instance, £20,000 a year pays in income tax and super-tax alone £9,828. A few thousands more income and he would be paying away above half of it. Plainly he would need to have great powers of shock-absorption. But are his powers, in fact, adequate? He may be abler, tougher, cheerfuller than most, but he is still a man, and subject to discouragement. He prizes liberty peculiarly because he can use it well. A gross and penal scale of taxing impairs his liberty in two ways: by taking from him the greater part of the fruits of his work and by restricting the scale of it. For what money he pays to the tax-gatherer is lost to his business. The unhappy sequel includes unemployment for the poor man. Rich men no doubt spend money heavily on themselves: but they also make it available in large masses for purposes of trade, and



these masses are usually bolder and more enterprising than the aggregated mites of the poor. These mites, too, are often awanting. It may be that the best way of saving money for the sustenance and expansion of trade is that the rich should save it wholesale. This is partly because so many poor men think saving the duty of the rich only. Thus do the follies of First Thought severally conflict. In these days the conflict grows acute. The rich cannot both pay the present taxes, and save for industry. They have long known this, and now they are saying it loudly. The condition of trade proves them right: for capital is scarce and what little there is is timid. And this is the moment chosen by Mr. J. R. Clynes to raise again the cry "A Levy on Capital." Our incomes going or gone, he bids the State take the only thing left to us. He would sell us up in a market threatened with collapse.

The so-called rich, being summoned to absorb inordinate shocks, will disappoint the poor men. Some of them will simply give up being rich. Some will betake themselves overseas, the remnants of their fortunes with them. Some will pass the shocks on. So far as it is true that

"It is the duty of the Wealthy Man  
To give employment to the Artisan"—

this duty will be worse done. Money-making is a gift, like song. Some men can make money, and some cannot. Some cannot even keep it. The good makers and keepers benefit other men unavoidably. A First Thoughts crusade against them through taxation is less likely to stop selfish spending among them than to check saving. An hysterical gesture or stroke against some phase of wealth has effects beyond the vision and disproportionate to the intention of the agent. The voiceless and the tuneless should not demonstrate against those who can sing. If they did, there would be no singing at all. Only singers can sing. It is also very hard to make money, and harder still, perhaps, to keep it. Both are good for a community. Both are peculiarly needful for this nation just now. Perhaps this is really a time when the rich ought to be cherished and humoured, so that their "song" may sustain us.



## TRADE AND FINANCE, V.

### Taxation and Economy.

STATES, like individuals, easily acquire the habit of spending beyond their means, and when the day of reckoning comes the shock is proportionate to the extravagance by which it is produced. During the war all the belligerent States were compelled to mortgage their resources, and at the end they found themselves heavily indebted both to their own citizens and to other States. There are, however, important differences between external debts and those incurred within the State itself. One difference is due to the fact that the former are incurred, or measured, in the currencies of the lending States, such as the dollars of America. The amount of these cannot be influenced by any manipulation of the currency of the debtor State. Internal or domestic loans, on the other hand, are made in the currency of the debtor State. Almost all the German war debt, for example, represents loans by the German people to their Government, and is a fixed amount in marks. By inflating the currency and reducing the internal value of the mark the German Government has enormously reduced the burden of its indebtedness to its own citizen creditors, and has thus apparently reduced the need for taxation. Hence the complaints of business men in this country that their German competitors are not handicapped by taxation to anything like the extent which they themselves are. But that is only part of the story. Currency inflation, during the process, and until wages and salaries have been adjusted to the new conditions, represents a veiled form of taxation, not only of the recipients of fixed incomes but also of business men who have entered into large contracts at fixed prices, and find, on completion of contract, that their profits are worth less to themselves as consumers than they had anticipated. Moreover, inflation, by lessening the purchasing value of the currency, represents a heavy tax upon all fixed securities. Thus the German Government has reduced the burden of taxation to meet its debt charges only by imposing, in effect, a heavy tax upon capital.

Our policy has been of a fundamentally different character. We have not tried to evade our internal obligations. On the contrary, for reasons already examined in a previous article, prices and payments for services have fallen, that is, the



volume of Government obligations has been contracted, and the burden of Government obligations has been correspondingly increased. We are facing the music—if the discordant notes which are now being sounded can be called music! The essential features of the situation need to be stated. In the first place it is important to observe that the urgency of the problem is due to the fact that accidental revenues—windfalls, such as the proceeds from the Excess Profits Duty and the sale of surplus war stocks—have practically disappeared, while abnormal forms of expenditure closely connected with the war and the peace treaty continue. Pending the return to a normal standard of expenditure there is therefore a fairly strong case for reinforcing the revenue by the issue of loans (provided these are not made the instrument of inflation) of essentially the same character as war loans.

But at present even that part of the expenditure of the State which, with our existing domestic and imperial policy, may be regarded as normal (in the sense of recurring annually) appears to be so heavy as to destroy any hope of a reduction in the rate of income tax in an average year. An income tax of six shillings in the pound is said to be more than industry will bear. Hence the cry for economy and a change of policy. Here (and this is the second point) we need to distinguish between an average year, which is the basis of State action, and an exceptional year of trade depression. State enterprises cannot easily be adapted to meet the annual fluctuations of trade. They are, or should be, thought out long in advance, and based upon the average capacity of the nation to finance their requirements. They take time to settle down; they involve long contracts and create expectations which shape the lives of large groups in the community, and which cannot be ignored by any Government having the welfare of the community at heart. During the period of illusion, which terminated in 1920, promises were easily made and expectations foolishly raised; legislation was passed in haste and is now being repealed with almost equal precipitation. All this has created a great deal of uncertainty and disappointment. Normally, however, legislation is the result of long-considered policy, passed after serious examination of all its financial implications. Taxation is imposed to meet the normal requirements of the State responsible for such a policy. Within narrow limits the revenue is elastic, and changes are followed by small adjustments of taxation which

absorb surpluses or abolish defects. When, however, a serious depression of trade produces an unexpected and highly injurious effect upon revenue, the State may find it necessary to resort to a loan, payment of which will be provided for in the budgets of succeeding years. In 1908, for example, a serious raid was made upon the sinking fund. The point is that in such abnormal years in the past there was no suggestion from any quarter that legislation, valuable in itself, should be 'scrapped' merely on account of the budget deficit, though naturally any further legislation involving serious expenditure was postponed. A State, unlike a business concern, does not budget for a large reserve against contingencies other than errors in estimates. It budgets for the smallest surplus consistent with safety, and a deficit due to abnormal and unforeseen circumstances becomes a burden on the years which follow. The same principle should apply now. Soon the revenue will reflect not only the cessation of 'windfalls' but also the intense depression of trade from which we are now suffering. Reduction for this particular reason should not unduly influence the Geddes Committee. If, for example, we could afford the standard of education implied in the Fisher Act during the boom of two years ago, and if we shall be able to afford it when the depression passes, we can afford it now, for what we can afford on education at all is determined by what we can afford on the average of a series of years. Education, if it is to be effective, is not a service which can be varied from year to year according to the position of trade. Moreover, any serious reduction in a Government service is bound to intensify the evil of unemployment. It is a sound maxim that during a serious depression of trade the Government should spend more, not less, money on things which are desirable in themselves. True economy is economy of human effort, and this, on the whole, is even more desirable during a boom in trade, when labour is scarce than during depression, when it is plentiful. Now is the appropriate time to embark upon a scheme involving considerable expenditure; for, apart from its financial aspect, it tends to stabilise trade and employment. It would be far better that builders should be employed erecting a new post office which will in any case be required a couple of years hence (and pay for it by means of a loan, rather than debit it against income, as in normal years) than that the Government should now pay half the necessary sum as unemployment donation and later, when the



building trade is again busy, compete for labour for the same purpose.

But, in the third place, there is a further and more difficult consideration. The reduction in revenue from taxation may be, and probably is, due partly to a process of currency deflation which is, in a sense, separable from depression in trade. Wages, salaries and costs have recently been considerably reduced, and are not likely to return to the 1920 level. If, when trade is restored, all payments continue to be on a lower level, the revenue from income taxation will be proportionately reduced. For the revenue from this source is a function not only of the volume of trade, but also of the general level of prices. After eliminating all forms of present expenditure which can be regarded as temporary or abnormal, and allowing for reductions in the payment of those Government servants whose salaries are on a cost-of-living sliding scale, the total requirements of the State will still be abnormally heavy relatively to those of 1913-14. They will consist almost entirely of charges (practically constant for some years) in respect of interest and sinking fund and pensions, and of the costs of pre-war public services. There appears little prospect of a substantial reduction of income tax. Hence the fundamental problem is not one which the Geddes Committee appears to have examined. That problem is whether we can afford, as a nation, to return to anything approximating to pre-war currency standard, or even to continue on the present basis of wages, salaries and prices. Inflation would be, of course, but an indirect method of taxing existing capital. But it is difficult to see how we can at one and the same time reduce income tax, avoid a specific tax on capital, avoid inflation and avoid a recurring budget deficit. It is thus important to examine what precisely is involved in the stabilisation of currency at its present standard, or the standard of a year ago.

§ § §

## THE INDUSTRIAL DIFFICULTIES OF ITALY, I.

*(A short series of articles devoted to an analysis of the conditions under which Italian industry is struggling to form and carry out a definite programme of productive industry.)*

ITALIAN industry has developed enormously in the last few years, especially in certain directions; it now produces an annual total of nearly 70 milliards (lire) worth of goods and finds employment for more than nine million inhabitants.

During the war and also immediately after the armistice, the Government, by giving every means of assistance and by legislative measures, evinced a real desire to encourage the expansion of industrial production in such a way that it could co-operate with agriculture in reconstructing a sound economic condition in the country. In this way Italian industry was able to cope with the exigencies of the war. But during the war the State was the sole purchaser and bought regardless of cost. Thus an artificial vitality was created in industrial production, and large margins of profit allowed the employers to accede to the incessant demands for increased pay on the part of the workers. The advent of peace saw the abandonment in this and other countries of artificial restraints on industry and commerce. Competition began to reassert its power, and the Italian market was hard pressed by imports from countries richer in raw materials, and with a lower rate of exchange.

In Italy the most powerful labour organisation is the General Federation of Labour, which is dependent upon, and amalgamates with the Socialist Party, 135 deputies strong. The associations belonging to the Communist Party—which organised the unsuccessful attempt to occupy the factories in September 1920—form a small minority which is gradually weakening as the mirage of the Russian Revolution fades. The Italian Federation of Workmen is a third organisation which embraces most of the agricultural workers as well as about one-sixth of the industrial workers. It belongs to the Popular, or Catholic Party, and has 106 Deputies.

Of the employers' associations, the General Federation of Italian Industries is the strongest. Its National Federations in every branch of industry and its Local Associations in each district effectively link up the majority of employers.

The workers' wild attempt to occupy the factories was finally defeated at the close of 1920. Directed from Moscow, this was to have been the first step to the definite overthrow of



capitalism and the control of industry by the workers. Having failed in this attempt, the aims of the General Federation were turned, firstly towards increasing wages, and then to preventing their reduction. The Federation brought pressure to bear upon the Government to secure special concessions. It thus obtained, for example, the handing over of five Government arsenals and factories to the Metal-workers' Union, and the formation of a Miners' Society with special financial facilities. This, however, did not prevent the Society from failing recently. The subsequent judicial enquiry revealed a capital outlay of more than 3,000,000 lire, as against an output of only about 238,000 lire.

Italy possesses a complete system of social legislation. It stands second only to England as regards insurance against unemployment, and the principle of the eight-hours day has been applied in practice for many years in all the large factories, in accordance with agreements between Labour and Employers' associations.

Although the cost of living has risen enormously, yet the rise in wage-rates has been still greater, as is shown by the most recent statistics. In June 1921, in the most important industrial centres, such as Turin, Milan, Genoa, a working-class family's weekly budget had risen as much as from 300 to 390 per cent. above pre-war prices. At the same period the average wage-increase, according to the different trades and districts, was from 352 to 700 per cent. These figures represent the wages for an eight-hour day; that is to say, the increase *aimed at* by the workmen. Actually they average two or three hours less per day. There are half-a-million unemployed in Italy to-day, and more than 150,000 are working short hours. Overstocked with goods, with no possibility of disposing of them, owing to the high cost of production, many apparently prosperous companies have been forced to reduce their staff, and sometimes to close down. One example will suffice—that of the Fiat Automobile Company—which was obliged in a few months, to reduce its hands 25 per cent. and still work short time.

The gravity of the crisis has undoubtedly been increased by the fiscal policy of the Government; the taxation of excess war profits and other measures have struck a severe blow at industry, driving Italian as well as foreign capital investments out of the country. The removal of not a few Italian firms into foreign countries is a fact full of significance. It is true that even under these conditions, the deficit in the new Budget is reduced to three milliards in place of the fourteen milliards of the previous year; but it is also true that this improvement

is due, for the most part, to anticipation of settlements and agreements in the industrial world, and is not unconnected with the Government's recent financial concerns.

As one of the effects of the rate of exchange, Italy has seen a considerable increase in the cost of raw material and fuel, which she imports almost entirely from abroad, and precisely from those countries where the exchange is highest, such as England and America. She has, besides, competition in the home market to encounter from countries where the exchange is low, such as Germany and Czecho-Slovakia.

The only means of escape from this difficult situation is a decrease in the cost of production. It being impossible to obtain any reduction in the cost of raw materials, it is indispensable to relieve industry of all other burdens that hamper its revival. This can only be brought about by means of more expert economic organisation and reduction in the cost of labour. Towards the first the employers have already been working for some time; towards the second the General Federation of Labour, some time ago, instituted a policy of energetic opposition, though it is clearly apparent to the workers that industry is at a crisis. In the face of repeated demands from the employers for a wage reduction, the Federation started three great national agitations, organised respectively by the mechanics, the chemical workers and the weavers. It endeavoured to amalgamate these three into a single force of resistance, threatening finally a national general strike.

The employers' federations have insisted that the question shall be decided separately and independently for each industry, and in each district, so as to allow of reductions by agreement in those industries which are hardest hit. Considerable readjustments took place on these lines at the renewal of contracts last October. For a second time, in face of the difficult industrial situation and fear of the greater evil of a stoppage of work, the men have recognised the necessity for adjusting wages to other conditions. It is only the amount of the reduction that is now in dispute in a hundred industries. At this point the General Federation of Labour has again intervened, fearing that separate agreements would deprive it of its control over the mass of the workers; and it has attempted to transfer a question that is essentially economic into the syndicalist field and then into the political field, demanding the intervention of the Government and an enquiry into the condition of the various industries.

*(To be continued).*



## THE INDUSTRIAL WELFARE MOVEMENT.

AFTER visiting a number of Firms in the north of England where Welfare schemes are in operation, the writer is left with the impression that the possibilities for good which are disclosed by this movement and the spirit behind it are almost unlimited. It is true that as yet only an infinitesimal proportion of these benefits have been reaped, but the results that have been attained are striking enough, and as yet the soil has only been scratched.

There have been failures, and it is not surprising that of these first footsteps in a new and totally unknown field of science some should have been misguided. For Welfare work is a real branch of science—the science of dealing with employed people *en masse* and through agents, without losing altogether the solvent and tonic qualities of immediate personal relationship.

Some employers have made the fatal error of supposing the problem to be a wholly materialistic one, and have imagined that the provision of playing-fields, concert-rooms, canteens and window-boxes covered the whole ground and entitled them to their employees' gratitude and loyalty for evermore. Nothing could be more foolish, for working people, like others, invariably see through any kind of interested generosity and even if no ulterior motive is actually present they will usually suspect the Danaan gift and say that they would rather have the money in the form of higher wages.

The possibilities of Welfare work are unlimited and cannot therefore, well be defined. But in surveying the "position" in face of which the Welfare-pioneer at present finds himself, we can at least distinguish a first, a second, and perhaps a third "line" for the attacking forces to carry.

The first position is represented by "good working conditions inside the Factory." This is very simple to say, but as everyone knows it costs much money and thought to carry out. It may mean the scrapping of old buildings a little before their time, it implies a partial reversal of the usual desire to hang on to time honoured plants and methods, however insanitary, until the last possible pound has been made out of them. The "modernizing" of elderly but well-built factories is both expensive and difficult, and loopholes for leaving things as they are without infringing the law can nearly always be discovered, but a more progressive, even dashing spirit in these respects might be initiated amongst British employers by judicious propaganda, without causing them to ruin themselves. The Americans do it and thrive. The process of getting good

modern conditions and appurtenances throughout our northern industrial area will take a long time in any case.

But something more than material conditions is meant. There are psychological conditions which are very largely governed by the character and temper of managers and foremen, and the level of behaviour which the firm expects from them. The real advance in industrial life in the last twenty years is well displayed in the striking difference which, by all accounts, has come about in the type of men found in these intermediate but all-important posts.

It would be a violation of customary usage to call wages a part of welfare work but it need hardly be said that the adoption of a fair scale and method of wage payment is an essential preliminary without which any attempt at welfare work is a patent and ridiculous sham.

It may be said briefly that the "first line" of welfare work means simply the best protection for the individual against any ill effects that might come to him or her through working in the Factory. In other words it consists in a liberal-minded positive interpretation of the spirit of our Factory legislation, and a generous advance beyond the literal requirements of these Acts, where they are seen to be incomplete.

The "second line" is something rather different, it means that the employer interests himself in the employee's physical and moral welfare generally. Adolescence (the care of the teeth, eyes, etc.), maternity, sickness, old age, incapacity—here we have a whole string of things to think about and provide for by mutual effort and enterprise. They all affect the efficiency of the employed person, the excellence of his work for his employers, and the community, but some employers are still so short-sighted that they pretend they see no reason to take such matters into consideration. They are content to leave it to the State.

The "third line" is the provision of recreation. Recreation is a vital thing for efficiency and happiness and no employer can go far wrong in interesting himself in this question provided that he does so with the willing co-operation of those to whom he proposes to offer it, but it is not the most important line—it is perhaps the least important—and it should certainly come after the others.

Good conditions first, then care of health and provision against the lack of it, last recreation, but all the time an increasing measure of co-operation to these three ends by whatever form of councils or committees may be found most practicable in the peculiar conditions of each separate industry.



## FOOD FOR THOUGHT.

ON our path towards what goes by the name of democracy we have achieved many things that men and women of past generations have sighed for in vain. At a sufficient distance the forbidden prospect looked enchanting enough and fond hopes were cherished of the halcyon days to be enjoyed by those who should live to reach the delectable valleys that were supposed to lie on the opposite slope of the mountain of endeavour.

But as what appear to be steep gradients flatten out as they are approached by the traveller, so are human aspirations doomed to lose their savour as soon as they are realised. This law of diminishing returns on the capital investment of expectation is of almost universal occurrence and nowhere is the gulf between hope and disillusionment more pronounced than in the sphere of so called freedom. Man persists in believing that he is ever the victim of "outrageous fortune" and that his upward progress is barred, not by his own inability to make the most of his opportunities, but by the repressive influence exerted by others more favourably placed than himself.



There was a time when freedom of speech was accounted of such inestimable value that men were prepared to go to the stake of martyrdom for its attainment. Now that this desire to unburden the mind without let or hindrance has been gratified, now when this taste has been indulged to the full range of appetite, now after torrents of verbiage, invective, provocation and scorn have inundated the world,—(Mount Ararat and all)—we learn that too much freedom of speech is not far short of an unmitigated nuisance which vitiates all values and obscures all issues. Whether we listen to the exuberant clap-trap of the too facile orator, or read the concentrated prejudice of the over-confident and under-informed journalist, we experience a feeling of nausea and revolt against such exhibitions of licence. Then would we recall, if we might, the days when some measure of restraint was imposed, if not by law or by the force of public opinion, at least by self-control.



The Report of the Geddes Committee appears to be a document of considerable value. Making no claim to constructive State-Economy, it is thorough and independent. It

contains a mass of detailed information, not previously available, and its recommendations are couched in moderate and reasoned terms. We wish that as much could be said for its reception by the press—but such is the custom of the day that its value has been gravely discounted in advance by ill-considered applause on the one hand and by unwarranted abuse on the other. Landed to the skies and damned to the depths, its real merits are in danger of being overlooked. Already the Report has been welcomed as a rod in pickle for the Government, usurped as a bouquet by editorial complacency, and adopted as an argument to prove that the ruling caste is still bent on exploiting the proletariat. Of course the document is signally ill-adapted to fit any of these rôles, but—as nobody, who is vocal on a grand scale, appears to have use for anything unless it can be requisitioned for partisan purposes—an enquiry that might have accomplished a great national service is likely to be trodden out of all recognition in the cockpit of strife.



Mutual antagonism is destructive in essence and its barren zest consists only in checkmating the plans of the adversary. Effort cancels effort and the resulting waste of energy is squandermania of the most ruthless kind. Man-power is the decisive factor in peace no less than in war, and every person who devotes his best energies to destructive criticism is defrauding the community of the co-operative help that it has a right to demand from him. A nation which allows itself to become disintegrated into undisciplined bands of guerilla fighters—all against all—is bound to come to grief in double quick time. We have had a bellyful of fighting since 1914, and the negative gains can hardly be said to balance the positive losses. The most obvious, the most pressing, need of the wide world is peace—and though the professions of many be loud and too often, alas, discordant, "few there be that find it."





## DAY BY DAY.

*(A monthly Record of the principal events, at home and abroad, which have a direct bearing upon the maintenance, or otherwise, of peace in industry).*

**Jan.** The Ministry of Labour index figure for the cost of living was 92 per cent. above that of July 1914.

**1st.**

Changes in rates of wages during December resulted in a total reduction of over £400,000 in the weekly full-time wages of 3,600,000 workpeople.

85 trade disputes involved the loss of about 127,000 working days and caused nearly 15,000 people to be out of work.

Unemployment among trade unionists rose to 16.5 per cent. and to 16.2 per cent. among workpeople in insured trades. The Employment Exchanges registered 1,886,000 people as unemployed at December 30th and 215,000 as working systematic short time.

The General Council of the Trade Union Congress has been requested by the Agricultural Workers' Union to take up the question of the farmers' demand for a 30s. minimum wage in Norfolk. There are 25,000 members of the union in the county.

**2nd.**

Hertfordshire farm workers have agreed to accept a wage of 32s. for a 48-hour week.

**3rd.**

Hampshire farm workers have agreed to accept a wage of 32s., with overtime at equivalent rates.

**4th.**

The National Union of Railwaymen has elected Mr. John Marchbank as president for 1922.

The General Council of the Trade Union Congress has assembled to discuss measures for rendering more effective the central control of trade union disputes affecting wages and hours. The discussions are being held privately.

The General Council decided to assist as far as possible the Agricultural Workers' Union to secure a reasonable wage for farm workers throughout the country.

**7th.**

The Parliamentary Labour Party and the General Council of the Trade Union Congress submitted to the Prime Minister their memorandum bearing on the subjects under discussion at Cannes. The Labour proposals include the temporary suspension of the reparation payments due from Germany; no compensation to be claimed in respect of war pensions and separation allowances; cancellation of the mutual indebtedness of the Allied Powers; the calling of an International Economic Conference to determine measures to promote normal economic conditions in Europe. The destructive effect of the Reparation Agreement upon the export of British coal is dealt with.

**Farm Wages:** The Bucks Conciliation Committee failed to obtain the employers' agreement to a minimum wage of 33s. for 50 hours. The farmers offered 32s. In Glamorgan a wage of 36s. for 50 hours has been agreed. Northampton farmers rejected a proposal to pay a 31s. minimum. The men refused to accept 30s. for a 48-hour week.

9th. Lenin has accepted the invitation to attend the proposed Genoa conference.

10th. The ballot of the National Union of Boot and Shoe Operatives on the proposed wage reduction has resulted in a narrow majority against acceptance.

11th. The Scottish railways' case for a modification of hours and wages was opened before the National Wages Board. It was stated that wage rates were 170 per cent. above pre-war rates and that the total wage bill was 247 per cent. above the 1913 figure. The Companies aim at saving £500,000 per annum by actual wage reductions and another £500,000 by alterations in hours and conditions of service.

Boot and Shoe Trade dispute: The Manufacturers' Federation have offered to postpone the proposed reductions in wages for one month. A further ballot is to be taken before February 3rd.

The National Federation of General Workers have instructed men in the shipbuilding industry to resist any further wage reductions. A conference is to be held on January 27th to obtain agreement between the various unions concerned.

The National Executive of the Irish Labour Party and Trade Union Congress has issued a manifesto to Labour in Ireland. The struggle, they say, is now against capitalism "Our opponents are our employers." Their object is the establishment of a "workers' republic in which those who give labour and service to the Commonwealth—and none but they—are the citizens, the rulers and the owners."

12th. Scottish railways: Evidence was given before the National Wages Board to show the cost of the eight hour day.

The Irish Council of the National Union of Railwaymen, supported by the locomotive men's union has called for a complete stoppage of railway work on January 14th at midnight. The strike is a protest against the new wages and hours award which should take effect on January 15th.

13th. The Executive of the Miners' Federation decided to invite the coal-owners to make joint representation for a State enquiry into the causes, both political and economic, of the present situation, with a view to getting some drastic improvement for the industry. Mr. Hodges, after careful investigation, points out that whereas the price of coal in this country after it has passed through the hands of merchants and factors is



fabulously high, the export price and the amount exported is too low to admit of either a decent wage or a fair profit.

In a letter signed by Arthur Henderson, George Lansbury and R. B. Walker it was announced that the General Council of the Trade Union Congress and the Executive of the Labour Party had found means to enable the *Daily Herald* to be sold at one penny as from Monday, January 23rd.

The General Council of the Trade Union Congress sent out a manifesto to all the affiliated trade unions on the question of organising a joint defence for the preservation of trade union standards.

- 14th. Wages in the building industry will be reduced by one halfpenny per hour on and after February 1st.

Irish railway crisis: The Provisional Government has ordered the suspension for one month of the November award dealing with hours and conditions. The Government meanwhile will investigate the question and will compensate the companies for any loss due to the Government's action.

- 16th. Farm workers: At a joint meeting of the National Union of Agricultural Workers and of the Workers' Union it was stated that a concerted effort was being made to force the workers back to worse than pre-war conditions.

Dock workers: The National Council of Port Labour Employers have passed a resolution calling for three successive cuts of 1s. each in the wages of day labourers, with corresponding reductions in piece-work. The reductions would take effect in February, March and April. Mr. Bevin, representing the Transport and General Workers' Union, expressed his readiness to discuss the reduction of 1s. in February, but said that his union is not authorised to discuss further cuts.

Unemployed men engaged on relief works at Northampton are on strike because their rate of pay has been reduced from 1s. 1½d. to 1s. an hour.

- 17th. Scottish Railways: It was stated in evidence before the National Wages Board that on the North British Railway each man dealing with goods traffic handled on the average 217 tons in November 1913. In November 1921 the amount had fallen to 166 tons.

- 19th. Farm workers' wages: The National Farmers' Union announced that conciliation committees representing twenty-three counties had arrived at wage agreements extending, in the main, over three months, and averaging a rate of 7½d. an hour. It was added that for 1921 the average agricultural worker's wage in America was 42s. 9d. as against 43s. 6d. in this country.

The enquiry into Scottish Railway workers' hours and wages was concluded. Mr. Cramp asserted his determination not to concede the principle of the eight hours day, but offered to help in negotiating "spread over" arrangements which would secure eight hours actual work. Mr. Matheson, on behalf of the companies, said that the Scottish companies objected to being controlled by arrangements made for English railways.

22nd. Farm Wages: East and South East Lancashire area wages have been agreed at 50s. a week until March; stockmen and horsemen at 45s. Lincoln workers are willing to accept 30s. for 48 hours but reject the proposal that they should give 54 hours in March and April.

23rd. The Governing Body of the International Labour Organisation has expressed a desire to nominate six members to represent their views at the Genoa Conference. The representatives would include two for the Government, M. de Michelis (Italy) and Sir Montague Barlow (Great Britain); two from the Workers' Group, M. Jouhaux (France) and Mr. Poulton (Great Britain) and two from the Employers' Group (not yet nominated).

25th. The National Wages Board issued their award on wages and hours on the Scottish railways.

The whole of the Dublin and South-Eastern railway system was suspended owing to a strike called by the Railway Clerks' Association as a protest against the alleged victimisation of a station-master. The Company have asked the Dail Eirann Ministry of Labour to arbitrate.

The National Maritime Board have negotiated an agreement for wage reductions in the British Mercantile Marine on the basis of about two-thirds of the reductions originally proposed.

The National Federation of Building Trades Employers adopted a proposal to set up a tribunal with an independent Chairman appointed by the Government for the settlement of disputes of all kinds which could not be determined by conciliation committees.

26th. The Executive of the National Union of Railwaymen have referred the question of acceptance or otherwise of the Scottish award given by the National Wages Board to a special delegate meeting to be held next week.

"Organised unemployed" filled the hall at a meeting of the Poplar Guardians and threatened to detain the Guardians until a higher rate of relief was granted. The Guardians, however, proceeded on an even more generous scale than was asked of them. The new scale has been submitted to Sir Alfred Mond and may be generally regarded as a challenge to the Government to intervene.



The Irish railway strike was settled by the Ministry of Labour.

- 28th. The ballot of the Amalgamated Engineering Union has resulted in the rejection, by a large majority, of the provisional agreement on management and overtime. The Executive Council of the Union strongly advised acceptance of the terms, warning their members that rejection would put a stop to negotiation on all other points and probably lead to a national stoppage. The agreement roughly conceded the right to employers to manage their own businesses and to determine the amount of overtime necessary, the union preserving the right to negotiate for alterations in such measures.

The wages of 100,000 workers in the dyeing, bleaching and finishing trades in Lancashire and the North will be reduced by 5s. and 3s. for men and women respectively, next week. The reduction is in accordance with the cost of living sliding scale agreement.

The Mining Association has agreed to co-operate with the Miners' Federation in securing a Government investigation of the causes and remedies for the present situation. A joint meeting of the National Boards will be held shortly.

A ballot of the National Federation of Building Trade Operatives is said to show strong opposition to any alteration in the 44-hour week.

- 29th. Miners' wages in Northumberland have fallen to about half what they were before the national stoppage in July. Durham coal-owners have decided to pay a subsistence wage of 6s. 11d. a shift to all adult miners.

Hertfordshire farmers have agreed to pay wages at 8d. an hour until March 3rd.

- 31st. The Poplar Guardians decided to postpone putting the new scale of relief into operation. Sir Alfred Mond has declared the scale illegal, and the Guardians are without funds. Mr. George Lansbury's motion that all cheques be held up except for wages, and that any "nonsense" from shopkeepers to whom money was owing should be countered by ordering all supplies from the Co-operative Society, was agreed to.

The Civil Service Clerical Association has amalgamated with the Civil Service Union. The combined unions include about 1,700 clerical workers in Government employ. The body is allied to the Labour Party and will put forward at least one candidate for Parliament.

*We are asked to amend the entry made in Day by Day on December 3rd. The reduction of 7s. a week in the wages of Messrs. J. and P. Coats' threadworkers applied to male workers only, that is, to only a small proportion of the whole.*

## ECONOMICS STUDY SCHEME, II.

All Candidates are requested, in their own interest, to read carefully through the pages dealing, in this and subsequent issues, with the study scheme. Important instructions are given here, failure to comply with which may lead to much unnecessary correspondence, if it does not actually deprive a candidate of his or her chances of winning a prize.

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*Industrial Peace* is published about the 15th of each month, and during the course a free copy is sent monthly to every candidate. Students who do not receive their copy before the 20th of any month should send a postcard to the Secretary, who will at once forward it.

People who, having enrolled as candidates, do not for any reason intend to pursue the course, are earnestly asked to return at once to the Central Library, 9, Galen Place, Bury Street, London, W.C. 1., any books they have borrowed and to send a postcard to the *Secretary of the Study Scheme*, 20 Magdalen Street, Oxford, notifying their withdrawal. By so doing they will make room for others who want to take part.

Any student who has applied to the Central Library and not received the books by the 15th inst. should communicate with this office. The course does not actually commence before that date and the Library has been closed temporarily whilst removing to its new address.



Some students have written asking how they can obtain the rest of the Oxford Tracts on Economic Subjects. These tracts are published by Mr. Humphrey Milford, Oxford University Press, Amen Corner, London, E.C., and can be obtained through any bookseller in four sets of eight tracts, price 10s. 6d. per set (by post three-halfpence extra) or separately at three-halfpence each tract. The fourteen sent to students were selected by us deliberately as being best suited to our course. Thus, we omitted those the subject matter of which is adequately covered by the books selected, and we included others which more particularly supplement the work of the books, or deal more specially with industrial economics.



We publish this month the first of the three sets of questions to which candidates taking part in this scheme are asked



to send in written answers. The questions can be adequately answered by any student who has mastered the contents of Sir Henry Penson's *Economics of Everyday Life, Part I*. It is not necessary to read the other two books until after this paper has been answered.

The following conditions should be carefully observed :—

- (1) Use *foolscap* paper.
- (2) Write full name, address and description of group in the right-hand top corner of the first sheet, thus :—

John Brown,

10 Smithfield Road, Halifax.

*Industrial Welfare Worker.*

- (3) Write distinctly, number the pages consecutively and fasten them together.
- (4) Each question can be adequately answered in about 750 words. No limit is set, but questions should be answered as briefly as their *complete* discussion and illustration will allow.
- (5) Papers should be addressed to The Secretary, "I.P." Study Scheme, 20 Magdalen Street, Oxford, and reach this office not later than April 15th.



### "I.P." Study Scheme Questions, Set No. 1.

1. What, from the Economist's point of view, is the real meaning of the term *Productive*? Explain with illustrations how efficiency in production may be secured.

2. Compare the economic life of the present day with that which was general in Mediaeval England.

3. "Value depends on Demand and Supply." Discuss the adequacy of this statement and show how Demand and Supply, respectively, influence Value.

4. Indicate the main features in the so-called "problem of distribution." Examine the objections which are sometimes raised to the present system of distribution.







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